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The Origins and Development of the World Bank's Anti-Corruption Programme

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**A Thesis submitted in fulfilment of the requirement for the
degree of Doctor of Philosophy**

University of Durham

Department of Politics

2002



21 JUN 2002

Abstract

This thesis is an evaluation of the World Bank's policies and strategies on anti-corruption work in the context of the global aid regime. In 1997, the Bank announced a four-pronged strategy to help its borrowers combat corruption, despite claiming in the past that it could not conduct work of this kind given the Bank's non-political mandate. Indeed, in the early 1990s, the Bank's General Counsel provided a new interpretation of the Bank's Articles of Agreement that still excluded work on corruption. Despite many attempts to reshape the discourse on corruption from a political one into an economic one, this issue of the non-political mandate has never been satisfactorily addressed. Instead, the Bank's anti-corruption work has become increasingly politicised as it moves from traditional public sector reform work to work on community empowerment and civil society. Additionally, the Bank has sought to mainstream this work on corruption into all of its programmes and regions, resulting in a programme that is overly complex and threatens the Bank's overall capacity as an institution. However, there is much good work being done – in upgrading the Bank's procurement work, strengthening internal ethics, improving work on public sector reform and bringing international attention to the problem of corruption. This thesis argues that the Bank should focus on its strengths and avoid the more controversial and ineffective components of its anti-corruption programme, which threaten the credibility of the programme as a whole.

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List of Abbreviations

31stDWM.....	31 st December Women's Movement (Ghana)
ACBF	African Capacity Building Foundation
ACBI	African Capacity Building Initiative
ACC	Anti-Corruption Co-ordinator (UK)
ACP	African, Caribbean and Pacific countries
ADB	Asia Development Bank
AfDB.....	African Development Bank
AFR.....	Africa Region
APL	Adaptable Programme Lending
BDP	Bureau for Development Policy
BMZ.....	Bundesministerium fuer Wirtschaftliche Zusammenarbeit und Entwicklung
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CDG	Center for Democracy and Governance (US)
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CIDA.....	Canadian International Development Agency
CONTACT.....	Country Assessment in Accountability and Transparency
CPAR	Country Procurement Assessment Review
CPFA.....	Country Profile of Financial Accountability
CRD	Urban and Rural Communes (Guinea)
CSR.....	Civil Service Reform
DAC	Development Assistance Committee
DANIDA.....	Danish International Development Agency
DC	Developed Country
DFID	Department for International Development (UK)
DIDC	Department for International Development Co-operation (Finland)
DRG.....	Development Research Group
DTI	Department for Trade and Industry (UK)
DUP	Directly Unproductive Profit-seeking activities
EAP	East Asia and Pacific Region
EBRD.....	European Bank for Reconstruction and Development
ECA.....	Europe and Central Asia Region
ECGD.....	Export Credits Guarantee Department
EDI	Economic Development Institute
ESW	Economic and Sector Work
EU	European Union
FAO.....	Food and Agriculture Organisation
FATF	Financial Action Task Force
FCO.....	Foreign and Commonwealth Office (UK)
FCPA.....	Foreign Corrupt Practices Act
FINMI	Financial Management Initiative
GAO	General Accounting Office (US)
GATT.....	General Agreement on Tariffs and Trade
GCA.....	Global Coalition for Africa
GNP.....	Gross National Product

GRC	Governance-Related Conditionality
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
IAD	Internal Audit Department
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDF	Institutional Development Fund
IDG	Institutional Development Grant
IDG	Institutional Development Group (UN)
IFC	International Finance Corporation
IFI	International Financial Institution
IGR	Institutional Governance Review
IMF	International Monetary Fund
IRIS	Center for Institutional Reform and the Informal Sector
ISI	Import Substitution Industrialisation
LAC	Latin America and Caribbean Region
LACI	Loan Administration Change Initiative
LDC	Less Developed Country
LTPS	Long-Term Perspective Study
MDB	Multilateral Development Bank
MFN	Most Favoured Nation
MIGA	Multilateral Investment Guarantee Agency
MLA	Mutual Legal Assistance
MNA	Middle East and North Africa Region
MNC	Multinational Corporation
NEP	New Economic Policy
NGO	Non-Governmental Organisation
NIC	Newly Industrialised Country
NIDB	Nigerian Industrial Development Bank
NORAD	Norway Agency for Development Co-operation
OAS	Organisation of American States
OCS	Operational Core Services
ODA	Overseas Development Assistance
OED	Operations Evaluation Department
OP	Operational Policy
OPE	Office of Professional Ethics
OPEC	Organisation of Petroleum Exporting Countries
PACT	Partnership for Capacity Building in Africa
PACT	Programme for Accountability and Transparency (UN)
PDC	Prefecture Development Council (Guinea)
PER	Public Expenditure Review
PNDC	Provisional National Defence Council (Ghana)
PREM	Poverty Reduction and Economic Management Network
PSR	Public Sector Reform
RFMI	Regional Financial Management Improvement
SAL	Structural Adjustment Loan (or Lending)
SAP	Structural Adjustment Programme
SAR	South Asia Region
SBD	Standard Bidding Document

SDC Swiss Agency for Development and Co-operation
 SDS Service Delivery Survey
 SIDA Swedish International Development Agency
 SOE State Owned Enterprise
 TA Technical Assistance
 TI Transparency International
 UN United Nations
 UNCICP United Nations Center for International Crime Prevention
 UNCTAD United Nations Conference on Trade and Development
 UNDP UN Development Programme
 UNESCO UN Educational, Scientific and Cultural Organisation
 USAID United States Agency for International Development
 WBI World Bank Institute
 WBIGF World Bank Institute Governance, Finance & Regulatory Reform Group
 WCED UN World Commission on the Environment and Development
 WDR World Development Report
 WHO World Health Organisation

Declaration

This thesis results entirely from my own work and has not been previously offered in candidature for any other degree or diploma. Material from the published or unpublished work of others, which is referred to in this thesis, is credited to the author of the text.

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Chapter One: Introduction

The Research Questions

This thesis is an examination of the origins and development of the World Bank's anti-corruption programme. In 1997, the World Bank announced its intention to provide a 'systematic framework for addressing corruption as a development issue in the assistance it provides to countries and in its operation work more generally'.¹ This included:

- Preventing fraud and corruption within Bank-financed projects.
- Helping countries that request Bank support in their efforts to reduce corruption.
- Taking corruption more explicitly into account in country assistance strategies, country lending considerations, the policy dialogue, analytical work, and the choice and design of projects.
- Adding voice and support to international efforts to reduce corruption.²

Although the Bank acknowledged that some of these areas were new territory and would require new staff, new areas of expertise, new procedures and new lending instruments, it claimed that it had long been concerned with corruption. Indeed, a recent report asserts that the Bank has been 'in the business' of combating corruption, 'since its very inception'.³

However, until the mid-1990s, the Bank always argued that its Articles of Agreement, the rules that govern its activity,⁴ prohibited it from making decisions based on political considerations, and a country's political structure, its human rights record and corruption were all too political for the Bank to consider. Instead, if there was an economic case for lending to a corrupt and abusive regime, then the Bank was obligated to do so. Despite the fact that these same Articles of Agreement also require the Bank to ensure that its funds are spent as intended, it continued lending to corrupt regimes even when it was aware that Bank funds were being siphoned off. The Bank defended this by arguing firstly, that corruption is a political issue and therefore not part of its mandate, and secondly, that even if only a fraction of aid reached a country's poor, it is still better than no aid at all. Therefore, contrary to claims, the Bank's new framework for combating corruption does indeed mark a departure from its past approach.

As with any international organisation, the Bank has evolved as an institution since its

¹ World Bank (1997). *Helping Countries Combat Corruption: The Role of the World Bank*. Washington DC: World Bank, p. 2.

² World Bank (1997). *Helping Countries Combat Corruption*, p. 3.

³ Linn, J. (2001). 'The World Bank's New Approach to Good Governance: Promises and Risks'. *Transition Newsletter*. 12(2), p. 2.

⁴ World Bank (1944). *Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)*. Internet. 4 November 1998. Available: <http://www.worldbank.org/html/extdr/backgrd/ibrd/arttoc.htm>. See Appendix 1 for an overview of the organisational structure of the Bank and its Articles of Agreement and Appendix 2 for Bank's organisational chart.

inception after World War II. This change has come about in part because of the historical environment in which it works. Changes in the developing countries that are its clients impact the way in which the Bank must do business, as do the political and economic needs of the developed countries that provide funding for the Bank's work. Change has also come about in part because of the evolutions in development theory, particularly regarding the role of the state in relation to development. The gradual shifts in belief concerning the role that the state plays – planner, facilitator, problem or supporter – is important for understanding how and why the Bank developed its anti-corruption programme.

This thesis develops an evaluation of the World Bank's policies and strategies on anti-corruption work in the context of the global aid regime and the activities of other agencies and institutions. This involves developing a history of the Bank to understand its origins, character and mission; producing a history and analysis of the Bank's involvement of anti-corruption work; and situating the Bank's work in the context of other anti-corruption strategies. Within the thesis, there are two major research questions:

- Why and how the Bank arrived at its current position on anti-corruption work.
- What components make up the Bank's anti-corruption programme.

Under these headings, I also look at more detailed questions which help me to answer the larger questions.

Regarding the first major research question – why and how – I have looked at several subsidiary questions. Was this brought about by a change of mind within the Bank regarding corruption? Was it influenced by a change of leadership within the Bank? Was it the result of external influence or pressure, or was it instead a response to internal concerns? Was it the result of a changing intellectual or ideological climate both inside and outside the Bank? Was this a top down or bottom up process within the Bank? Can the evolution of policy be logically, politically or legally explained? Is anti-corruption work a fad – an obsession of one Bank president – or is it structurally embedded and part of the 'group mind'?

The second major research question – the programme's components – requires a similar approach. Is there a clear line from the 1997 statement to the present day, or have there been diversions or blind alleys? Why were some components chosen and not others? Are some components particularly suitable or unsuitable for the Bank? Do the components 'fit', or are they instead a set of spare parts for an engine that has not yet been designed, let alone built? Is the programme coherent? If not, why not? Is it internally consistent? If not, why not? How does it fit into the growing international effort to combat corruption? How does it compare with other aid agency policies? Has it shaped the components of other organisations' anti-corruption programmes?

The Bank is considered a leader among development agencies, because of the resources it has available to spend on lending as well as on research, and this work has attracted much attention. Although there has been great interest from outside the Bank in its anti-corruption efforts, there has been no comprehensive study of it. This makes this thesis particularly timely and important.

In introductory section of this chapter I have introduced the area under study – the World Bank's anti-corruption programme – and presented some of the questions that will be addressed in this thesis. In the next section, I provide an overview of the contested nature of the Bank's non-political mandate, key to understanding the debate surrounding the development of the Bank's programme. Finally, I set out my methodology and the thesis structure.

Background: The Bank and Politics

Throughout the thesis, I will refer to the Bank's 'non-political mandate'. Unlike bilateral donors, the Bank ought not to take political considerations into account when making lending decisions. This non-political mandate was devised by the Bank's founders to protect it from the political vagaries of the Cold War and was designed to 'assure all members [of the Bank] of equality before the law...because membership involves both obligations and rights'.⁵ The Bank is required to ensure that the money is used for the purposes of the ban, 'with due attention to considerations of economy and efficiency and without regard to political and other non-economic influences or considerations' (Art. III. Sec. 5(b)). Art. 10. Sec. 10. states, 'The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Art. I'.

The founders were all too aware of the relationship between politics and economics. Indeed, '...such cognisance prompted them to emphasise the need to allow the Bank to operate as a universal, financial institution'.⁶ In addition to protecting the Bank from Cold War politics, the mandate was designed to protect its reputation as a conservative, technocratic financial institution. 'Political considerations are supposed to be irrelevant...' especially as the Bank's credibility and strength has traditionally depended on its status as a quintessential technocracy exclusively concerned with economic efficiency''.⁷ According to the Bank itself, 'As a reflection of the strength of the institution's capital backing as well as its prudent financial policies and risk controls, bonds issued by the World Bank have been AAA-rated since 1959...We have a record of consistent profitability with annual net income exceeding USD 1 billion for the past 15 years. World Bank lending is limited to sovereign-

⁵ Gold, Sir J. (1983). 'Political Considerations are Prohibited By Articles of Agreement when the Fund Considers Requests for Use of Resources' *IMF Survey*. 23 May, p. 147. Although Gold is referring specifically to the IMF, the same applies to the Bank.

⁶ Shihata, I. (2000). *The World Bank in a Changing World (Vol. III)*. The Hague: Martinus Nijhoff Publishers, p. 165. Ibrahim Shihata is the former General Counsel of the World Bank.

⁷ George, S. & Sabelli, F. (1994). *Faith and Credit: The World Bank's Secular Empire*. London: Penguin Books, p. 150. Contains a partial quote from Shihata, I. (1991). *The World Bank in a Changing World: Selected Essays*.

guaranteed projects and the Bank enjoys a preferred creditor status with its borrower-shareholders. It has never declared a loan loss nor rescheduled any loan. Strict concentration limits and broad sector diversification further minimise lending risks. The Bank is one of the most prudent and conservative financial institutions in the world.⁸ This preferred status enables the Bank to raise capital at favourable rates in order to lend at high volumes with low interest rates.

Several authors refer to this as its 'apolitical mandate'.⁹ The Bank itself refers to its 'non-political mandate'. There is a subtle distinction here. Apolitical means 'not political, [or] not concerned with politics'.¹⁰ This may describe the way the Bank used to look at development up until the 1980s, as this thesis will show; however, it now accepts the role that politics plays in development and impacts its own projects. Nevertheless, because of its mandate, the Bank may be concerned with politics but it is not allowed to work in the political sphere or to advocate one particular political system over another. This then is 'non-political' rather than 'apolitical', and I will refer to it as such.

Critics have accused the Bank of behaving as a political actor, despite the Bank maintaining that it acts without political considerations. It claimed this when it lent to non-democratic regimes, despite popular sentiment against such lending (e.g. South Africa under apartheid). It has claimed this when lending to one of its largest clients, China, despite the protests of the US and various human rights groups.¹¹ However, this principle has not been consistently applied, and will often depend on the amount of leverage the Bank has in the borrowing country.¹²

According to Ayres, 'Political factors seemed to enter in to a greater extent for countries that were highly salient to the interests of the foreign policy of the most important donor countries (most notably the United States) or countries whose development policies, for whatever reasons, were highly conflictual and thus the subject of relatively intense international attention and controversy'.¹³ US involvement in the Bank has long been controversial. Critics of the Bank have claimed that the Bank is

Dordrecht: Martinus Nijhoff Publishers.

⁸ World Bank (2001). 'Financial Strength'. 1 February. Available at http://www.worldbank.org/debtsecurities/html/financial_strength.html. See Moody's (<http://www.moodys.com>) and Standard & Poor's (<http://www.standardandpoors.com>) for confirmation of the Bank's high credit rating.

⁹ See, for example, Nelson, P. (1995). *The World Bank and Non-Governmental Organizations: The Limits of Apolitical Development*. Basingstoke: Macmillan Press Ltd.; Weaver, C. (2000). 'The Discourse of Law and Economic Development in the World Bank'. Paper given at the MacArthur Conference on the Changing Role of Law in Emerging Markets and New Democracies, University of Wisconsin, Madison, 24-26 March; Fleck, R. & Kilby, C. (2001). 'World Bank Independence: A Model and Statistical Analysis of U.S. Influence'. Mimeo.

¹⁰ Pollard, E. (ed) (1994). *The Oxford Paperback Dictionary (4th ed)*. Oxford: Oxford University Press, p. 33.

¹¹ See Hutchings, G. (1989). 'China Worried at Economic Cost of Crushing Dissent'. *The Daily Telegraph*. 20 June.

¹² The Bank has little leverage over those countries who borrow little from it and can find adequate private finance – such as Botswana. In addition, it has little leverage over those countries with very high borrowing levels and who also find adequate private finance – such as India and China. It is the countries in between who are the most susceptible to Bank conditionality. Caufield writes, 'As [World] Bank officials are fond of observing – on condition of anonymity – if you owe a bank \$100,000, you worry; if you owe it \$100 million, the bank worries'. Caufield, C. (1996). *Masters of Illusion: The World Bank and the Poverty of Nations*. New York: Henry Holt and Co., p. 24.

¹³ Ayres, R. (1883). *Banking on the Poor: The World Bank and World Poverty*. London: The MIT Press, pp. 72-73.

subservient to US interests. Baldwin noted that these claims were usually rejected by the Bank itself, as well as by some academics. However, he did identify certain facts of life which should be taken into account. The US holds the largest number of votes and is the largest *potential* contributor. The Bank has traditionally found a good deal of its funding on the US capital market, although it has diversified its portfolio considerably since the 1970s.¹⁴ Finally, by unwritten agreement, the Bank president is always an American, and therefore is likely to have at the least an American cultural outlook.¹⁵

In 1988, the then Bank president Barber Conable said, "Allow me to be blunt: the political uncertainty and arbitrariness evident in so many parts of Sub-Saharan Africa are major constraints on the region's development...*I am not advocating a political stance here*, but I am advocating increased transparency and accountability in government, respect for human rights and adherence to the rule of law".¹⁶ By now, many scholars saw the Bank's non-political stance as a myth, arguing that lending to nations is inherently political, especially because of the influence of powerful members, like the United States.¹⁷ Miller-Adams explains that "[t]he Bank's apolitical orientation, embodied both in the Articles of Agreement and in the values and beliefs of its staff, is a key example of what sociologists call an "organisational myth". The point about such a myth is not whether it is true or false, but that it plays an essential role in an institutions self-conception and quest for legitimacy'.¹⁸

Gillies provides us with a useful typology to view the changing approach to politics within the World Bank (see Table 1.1). If we compare Gillies typology to the flow chart on the changing role of the state found on page two of this chapter, we can see how they are linked. Chapters Two and Three of this thesis elaborate on this.

Table 1.1: Gillies' Four Eras of Politics in World Bank Lending

1946 – mid-1970s	Avoided politics by-and-large to build its reputation and credibility and also to stay out of the Cold War
Mid-1970s to 1980	Carter's human rights legislation; 'hotch potch application'
1980s	Reagan influenced for geopolitical and ideological reasons
Late 1980s onwards	Rise of political conditionality and good governance

Source: Gillies, D. (1996). 'Human Rights, Democracy and Good Governance: Stretching the World Bank's Policy Frontiers'. In Griesgraber, J.M. & Gunter, B. (eds). *The World Bank: Lending on a Global Scale*. London: Pluto Press, p. 119.

¹⁴ See Chapter Two for discussion of Bank funding.

¹⁵ Baldwin, D. (1966). *Economic Development and American Foreign Policy 1943-1962*. Chicago: The University of Chicago Press, p. 32. A recent statistical analysis suggests that US interests do play a role in some Bank lending decisions, but that patterns differ depending on US administration and economic and political circumstances. This relationship is thus, according to the study, evolving rather than stable. See Fleck, R. & Kilby, C. (2001). 'World Bank Independence', Mimeo.

¹⁶ Cited in Gillies, D. (1996). 'Human Rights, Democracy and Good Governance', p. 115 (emphasis in original).

¹⁷ Gillies, D. (1996). 'Human Rights, Democracy and Good Governance', p. 105.

¹⁸ Miller-Adams, M. (1997). 'The World Bank in the 1990s: Understanding Institutional Change'. Unpublished PhD thesis, Columbia University, p. 64.

Through the decades that followed its inauguration in 1944, this non-political mandate accorded with theories on development and the general consensus on the role of multilateral versus bilateral aid and the largely technical nature of Bank lending (e.g., road building, dam building). With the large amount of capital available for developing countries from private banks, the Bank had to keep lending just to retain the Bank's position as leader, regardless of the nature of the regime.¹⁹ Furthermore, according to Mason and Asher, the Bank often cut lending to newly democratic countries because of their unsatisfactory economic performance, while concurrently increasing loans to military dictatorships with the power to implement austerity measures.²⁰

Until the late 1980s, the Bank maintained, as did many others in both aid agencies and academia, that authoritarian regimes were the best facilitators of economic development, especially in light of the politically unviable austerity programmes prescribed by the Bank under structural adjustment.²¹ It was widely agreed that authoritarian regimes were better at managing economic development and growth, as well as maintaining a stable political climate. Even liberal donors such as Sweden lent to brutal regimes in the belief that the poor would be better off with the help than without.²² Indeed, the Bank argued that its work in non-democratic countries was vital because its mission was to help the poor regardless of the regime, and the 'worst' countries might have found it difficult to find funding elsewhere.²³ Table 1.2 lists the Bank's top twenty recipients of loans and credits from 1948 to 1980. Countries that have had authoritarian governments at some point during that period are highlighted. As we can see, only India has been a democracy during the entire period. If the Bank had only financed democracies, it would have had a very limited lending portfolio indeed.

¹⁹ Shapley, D. (1993). *Promise and Power: The Life and Times of Robert McNamara*. Boston: Little, Brown and Co., pp. 544-547.

²⁰ Mason, E. and Asher, R. (1973). *The World Bank Since Bretton Woods*. Washington D.C.: The Brookings Institutions, p. 478. Caufield gives the examples of Romania, Brazil and Bangladesh, which all received large loans from the Bank under authoritarian regimes, but had their funding cut after subsequent (or in the case of Brazil, prior) democratic transitions. In these cases, right-wing authoritarian regimes were perceived as more effective managers of the economy, because they 'could move faster than the public will tolerate'. Caufield, C. (1996). *Masters of Illusion: The World Bank and the Poverty of Nations*. New York: Henry Holt & Co., Inc., pp. 209-212.

²¹ For a more in depth discussion of the relationship between democracy and development, see Chapter Three.

²² Nelson, J. (1992). 'Good Governance: Democracy and Conditional Economic Aid'. In Mosley, P. (ed). *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries*. London: Macmillan Press Ltd., p. 310; Hoogvelt, A. (1997). *Globalisation and the Post-Colonial World: The New Political Economy of Development*. London: Macmillan Press Ltd., p. 172; Shapley, D. (1993). *Promise and Power*, p. 546.

²³ Ayres, R. (1983). *Banking on the Poor*, p. 56.

Table 1.2: Twenty Largest Recipients of Bank Loans, IDA Credits, and Bank/IDA Resources Combined, Cumulative, 1948 to 1980 (in US\$ millions)²⁴

<i>Bank</i>		<i>IDA</i>		<i>Bank/IDA</i>	
Brazil	5,313.7	India	8,285.2	India	11,055.8
Mexico	4,113.6	Bangladesh	1,454.2	Brazil	5,313.7
Indonesia	3,056.0	Pakistan	1,244.9	Mexico	4,113.6
South Korea	2,948.5	Indonesia	931.8	Indonesia	3,987.8
India	2,770.6	Egypt	783.6	South Korea	3,059.3
Colombia	2,761.4	Tanzania	538.7	Colombia	2,780.9
Yugoslavia	2,684.1	Sudan	522.5	Yugoslavia	2,684.1
Turkey	2,407.4	Kenya	408.3	Turkey	2,585.9
Philippines	2,389.9	Sri Lanka	369.6	Philippines	2,512.1
Thailand	1,960.4	Ethiopia	368.1	Pakistan	2,128.9
Romania	1,502.8	Burma	363.0	Thailand	2,089.9
Morocco	1,437.3	Zaire	277.0	Egypt	1,908.6
Nigeria	1,380.7	Madagascar	255.2	Romania	1,502.8
Argentina	1,350.3	Nepal	235.7	Bangladesh	1,500.3
Iran	1,210.7	Cameroon	230.5	Morocco	1,488.1
Malaysia	1,132.6	Yemen Arab Republic	208.3	Nigeria	1,416.2
Egypt	1,129.0	Senegal	187.7	Argentina	1,350.3
Algeria	1,091.0	Ghana	179.0	Iran	1,210.7
Pakistan	884.0	Turkey	178.5	Kenya	1,197.6
Japan	862.9	Mali	173.2	Malaysia	1,132.6

Source: Ayres, R. (1983). *Banking on the Poor*, p. 258.

During the bipolar race for balance of power during the Cold War, both the US and USSR sought to 'purchase' the loyalty of developing nations through aid,²⁵ and recipients often held a degree of power in these negotiations. Fearing that rejected states would turn instead to communist countries for aid, the West propped up several totalitarian regimes in order to stabilise the political climate.²⁶ Some more notorious examples include Chile under Pinochet, the Philippines under Marcos, Uganda under Amin, Equatorial Guinea under Macias, and perhaps most famously, Zaire under Mobutu. It was not only this unique political climate that encouraged both bilateral and multilateral donors to support authoritarian regimes. There were simply many more dictators in the developing world than there are today (see Table 1.3 below). As the norm, rather than the exception, donors were unlikely to take the nature of a political regime into account when distributing aid. If they did, there would indeed be few recipients to take advantage of aid.

²⁴ Bank lending commenced in 1948; IDA lending commenced in 1961.

²⁵ Illustrated by a 1976 quote from Henry Kissinger: 'Disaster relief is becoming increasingly a major part of our foreign policy'; cited in De Waal, A. (1997). 'Democratising the Aid Encounter in Africa'. *International Affairs*. 73(4), October, p. 625.

²⁶ Hoogvelt, A. (1997). *Globalisation and the Post-Colonial World: The New Political Economy of Development*. London: Macmillan Press Ltd., p. 172.

Table 1.3: Democratisation in the Modern World²⁷

Year	Democratic States	Non-democratic States	Total States	Percentage Democratic of Total States
1922	29	35	64	45.3
1942	12	49	61	19.7
1962	36	75	111	32.4
1973	30	92	122	24.6
1990	59	71	130	45.4

Source: Huntington (1991). *The Third Wave: Democratization in the Late Twentieth Century*. Norman, OK: University of Oklahoma Press, p. 26.

The fall of communism in the late 1980s ended this almost universal consensus, and instead democratic governments were seen as the best facilitators of development. The Bank joined other donors in promoting the idea that good governance was a pre-condition for economic growth, including accountable and transparent decision-making, an independent judiciary, a free press, increased popular participation through a vital civil society, and finally, a commitment to combating corruption. Many donors now require a commitment to democratisation as a condition of aid, which includes respect for the principles listed above, but only the Bank has stopped short of calling this 'democracy'.

Work on corruption makes the Bank's non-political mandate much more problematic. In recent texts on anti-corruption work, the Bank has become much more explicit in referring to the role of politics in combating corruption. A report on corruption in transition countries highlights the importance of political competition for increasing the accountability of leaders.²⁸ The same report defines political accountability as referring to 'the constraints placed on the behaviour of politicians and public officials by organisations and constituencies having the power to apply sanctions to them'.²⁹ In other words, the Bank is advocating the need for competitive elections to combat corruption.

Looking at public sector reform, another recent Bank document highlights three important 'drivers' of reform: rules and restraints (including constitutional separation of powers), participation (including representative decision-making and political oversight) and competition (including political competition).³⁰ However, '[i]t is not being suggested that active involvement to build all of these types of institutions falls within the Bank's mandate'.³¹ Clearly, this is an important caveat given that the Bank is proposing liberal democracy as a means of reforming the public sector. Referring to decentralisation as important for fostering participation, the report states, '[t]he political rationale for

²⁷ Huntington defines democracy as those with open, free and fair elections; limitations on power; stability of institutions; and with electoral competition and widespread voting participation. Waves of democratisation are defined as 'a group of transitions from nondemocratic to democratic regimes that occur within a specified period of time and that significantly outnumber transitions in the opposite direction during that period of time'. Huntington (1991). *The Third Wave*, pp. 9-12, 15. This estimate of regime numbers omits countries with population of less than one million.

²⁸ World Bank (2000). *Anticorruption in Transition: A Contribution to the Policy Debate*. Washington DC: World Bank, pp. 40-41.

²⁹ World Bank (2000). *Anticorruption in Transition*, p. xxii.

³⁰ World Bank (2000). *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*. Washington DC: World Bank, p. 23.

³¹ World Bank (2000). *Reforming Public Institutions and Strengthening Governance*, p. 23.

decentralisation is the desire to move decision-making closer to people to foster greater democracy. The economic rationale is based on gains in allocative efficiency'.³² One is left to guess where the Bank has learned of the 'political rationale for decentralisation' as there are no references available, and it does not take into account the many established democracies with highly centralised administrations, especially in Europe.

In the Africa region, the Bank speaks of '[a]mending the constitution to redefine the role of the state, introduce new governance arrangements, change the machinery of government or alter the balance of power among the executive and the parliament',³³ as if these things are the same as a management restructure. Goran Hyden has asserted that governance is really like business management theory: "In the same way as business management theory treats the organisation as crucial to business success, the governance approach treats regime – the organisation of political relations – as essential for social and economic progress".³⁴ Herein lies the danger in trying to take the politics out of things that are inherently political, such as regime choice, participation and government structure. It is simply not possible to do and is likely to fail or to drive the Bank into a more explicitly political direction.

Increasingly, voices within the Bank are calling out for it to cast aside its non-political mandate and embrace democracy as a condition for Bank lending. Joseph Stiglitz, formerly the Bank's Chief Economist, connected its work on corruption to democratisation. 'Earlier, discussions of corruption would have been off limits for the World Bank, which was generally proscribed from engaging in political matters not directly related to development. But the new thinking argues that there is no bright line of demarcation: corruption, though a matter of politics, is at the heart of underdevelopment. But once that line has been broached, the limits of what should be in the Bank's purview are no longer clear. Openness, transparency, and democratic processes provide an important check on the operation of special interest groups and the extent of corruption.'³⁵ Indeed, Stiglitz calls on the Bank to 'support democratic pluralism'.³⁶

Another statement made by former World Bank Vice President for East Asia and the Pacific, Jean-Michel Severino,³⁷ could have far-reaching implications for the Bank as a whole. Referring to Indonesia, he said, 'It is very clear that if we came to a situation where these governance, democracy and human rights goals were not present in the government, I don't see how there could be any financial, political or technical support from the international community'.³⁸ Furthermore, these

³² World Bank (2000). *Reforming Public Institutions and Strengthening Governance*, p. 24.

³³ World Bank (2000). *Reforming Public Institutions and Strengthening Governance*, p. 77.

³⁴ Cited in Saul, J. (1997). 'For Fear of Being Condemned as Old Fashioned: Liberal Democracy versus Popular Democracy in Sub-Saharan Africa'. *Review of African Political Economy*. 24(73), p. 347. Hyden is Professor of Political Science at the University of Florida and worked as a consultant for the World Bank on governance issues.

³⁵ Stiglitz, J. (2000). 'Introduction'. In Gilbert, C. & Vines, D. (eds). *The World Bank: Structure and Policies*. Cambridge: Cambridge University Press, p. 3.

³⁶ Stiglitz, J. (2000). 'Introduction', p. 4.

³⁷ Soon after these interviews were given, Mr. Severino left the Bank to return to the French Finance Ministry.

³⁸ World Bank.(2000). 'World Bank Ties \$4.7 BLN Jakarta Support to Democracy, Rights', *Development News*, 2/2.

conditions apply to all countries, not just Indonesia. Mr. Severino is also said to have acknowledged the role of World Bank efforts to spread democracy.³⁹ It will be interesting to see if democracy is to become an overall condition of lending, or if this is simply an overzealous staff member speaking out of turn. It is too early to tell. One thing is for certain: if the Bank is to require moves towards democratisation as a condition for lending, it will have to amend its Articles of Agreement.⁴⁰ Significantly, during separate interviews with three senior Bank staff, I was told that 'we're pushing the envelope' on the Board to approve this sort of amendment.

Kapur and Webb refer to the 'legal wriggles' needed to address corruption because of the Bank's mandate. 'If it is true that one cannot wade into water without getting wet, [governance-related conditionalities (GRCs), including corruption] will inevitably increase the politicization of the [international financial institutions (IFIs)], tarnishing the technocratic smock that provides credibility to their prescriptions. If the IFIs have always been vulnerable to the political pressures of their main shareholders, GRC opens the door more widely'.⁴¹

Since the early 1990s, the World Bank has been responsible, directly or indirectly, for the majority of research available on corruption. The research is economics-led and avoids, for the most part, directly addressing overtly political issues, which the Bank says includes 'election processes or the structure and financing of political parties'.⁴² Table 1.4 highlights areas of primary concern for anti-corruption strategies for select donor agencies, including the Bank, and it illustrates how all-encompassing the Bank's approach is. There are also many areas - including accountability, human rights, a free media, and civil society - that are associated with notions of democracy.⁴³

³⁹ Cited in World Bank (2000). 'World Bank Official Warns Asia to Fight Corruption'. *Development News*, 14/2. Original: *International Herald Tribune*, 12/2, p. 12. Mamadou Dia, World Bank Country Director for Côte d'Ivoire, told a news briefing that the Bank only dealt with 'constitutional governments', unless it could be proven that 'de facto' governments were stable and upheld international obligations. World Bank (2000). 'World Bank Warns of Aid Suspension for Côte d'Ivoire'. *Development News*, 4/2. Although a constitutional government need not be a democracy, it is another example of the Bank publicly choosing one form of government over another.

⁴⁰ 'An amendment of the Bank's Articles of Agreement requires a formal approval by Bank members through a process which ultimately needs a majority of 60 percent of the members having 85 percent of the total voting power (80 percent in the case of IDA)'. Shihata, I. (2000). *The World Bank in a Changing World, Vol. III*. The Hague: Martinus Nijhoff Publishers, p. 152, note 35.

⁴¹ Kapur, D. & Webb, R. (2000). 'Governance-related Conditionalities of the International Financial Institutions'. G-24 Discussion Paper No. 6, New York: UN, p. 16.

⁴² World Bank (2000). *Reforming Public Institutions and Strengthening Governance*, p. 62.

⁴³ Few would agree with Przeworski et al. who declare that '...we do not think that "accountability", "responsibility", "responsiveness" or "representation" should be treated as definitional features of democracies'. Przeworski, A., Alvarez, M., Cheibub, J.A. & Limongi, F. (2000). *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990*. Cambridge: Cambridge University Press, p. 33. This reduces democracy to the notion of freely contestable elections, a dissatisfying notion of democracy for most.

Table 1.4: Donor Approaches to Anti-Corruption⁴⁴

	World Bank	USAID	UNDP	DfID	EU
Accountability	X	X	X	X	X
Civil society	X	X	X	X	X
Decentralisation	X	X			
Democracy		X	X	X	X
Human rights	X	X	X	X	X
Legal reform	X	X			X
Media	X	X			
NGOs	X	X	X	X	X
Partnership building	X	X	X		
Private sector	X	X	X		
Privatisation	X	X			
Public sector	X	X	X	X	X
Service delivery	X	X		X	
Transparency	X	X	X	X	X
Watchdogs	X	X			

Source: Marquette, H. (2001). 'Corruption, Democracy and the World Bank'. *Crime, Law & Social Change*. 36(4), p. 401.

The Bank's research on corruption attempts to separate the political and economic from issues like civil society. It assumes that issues like privatisation are inherently economic, ignoring political arguments about the role of the state and the provision of public services. As Fillip points out, 'The assumed ability to separate the economic and political dimensions of governance [and corruption] is what allows the Bank to address governance issues without going beyond its mandate'.⁴⁵ The Bank continues to churn out research at an astounding rate to remind us of the economic implications of these issues and to de-emphasise the political. It is this research that drives the direction of the Bank's anti-corruption work.⁴⁶

In a current study of the World Bank's work on legal reform, Weaver addresses the challenges that the Bank's non-political mandate poses for this work, which it claims 'can be addressed through apolitical, technical assistance as allowed under the Bank's mandate'.⁴⁷ She cites Lawrence Tshuma, who writes of the inherently political nature of legal reform. "Despite its claims to the contrary, by advising governments on, and by lending for, law reform programmes, the Bank is involved in a process of social restructuring which involves the use of state power and is therefore political".⁴⁸ Referring to a number of studies of legal reform in Latin America, Weaver concludes that 'clinging to the myth of apolitical development and failing to take political factors into account may hinder the effective design and implementation of legal reform projects'.⁴⁹

⁴⁴ A blank space does not imply disagreement with or indifference with the approach. The Bank does identify human rights as an important issue, but de-links rights from political issues. See World Bank (1992), *Governance and Development*. Washington DC: World Bank.

⁴⁵ Fillip, B. (1997). 'The World Bank and Governance', p. 70.

⁴⁶ Chapter Four covers this topic in depth.

⁴⁷ Weaver, C. (2000). 'The Discourse of Law and Economic Development in the World Bank', p. 19.

⁴⁸ Cited in Weaver, C. (2000). 'The Discourse of Law and Economic Development in the World Bank', p. 19. Original: Tshuma, L. (1999). 'The Political Economy of the World Bank's Legal Framework for Economic Development'. *Social & Legal Studies*. 8(1), pp. 75-96.

⁴⁹ Weaver, C. (2000). 'The Discourse of Law and Economic Development in the World Bank', p. 20.

Speaking before a group of NGOs in 2000, James Wolfensohn, the current Bank president, explained how the Bank became interested in tackling corruption:

Let me say first-off that until three years ago, the word 'corruption' was never mentioned at the World Bank. As some of you may know, the true story that when I got to the Bank, the General Counsel called me in to give me my briefing on what I could do and what I could not do as President of the Bank. And he said the one thing you cannot do is to talk about the 'c' word. And I said what is the 'c' word? He said the 'c' word is corruption. And under the charter of the Bank you are not allowed to talk about politics and corruption is politics. Therefore, don't talk about the 'c' word. You can talk about anything else. You can talk about social justice, you can talk about poverty, but for God's sakes don't talk about the 'c' word because you will get fired. Your shareholders won't like it.

And that is not an allegorical story. That is, in fact, a true story. I took this for about two years until I recognized that there was no way to deal with the issue of equity and poverty and development without tackling the question of corruption. So, I came out in my Annual Meeting speech, I said corruption is a cancer and it is not political but it is social and it is economic and, therefore, I am allowed to talk about it. And if you politicians think that it is political, that is your problem. I think it is social and economic. Therefore, I can talk about it.⁵⁰

Wolfensohn has been backed by the US government, which blames the previous lack of focus on corruption on 'overly restrictive interpretations of their Articles of Agreement against consideration of noneconomic factors in their activities' and 'reluctance' on the part of the Executive Directors to tackle the issue.⁵¹

The former General Counsel of the World Bank, Ibrahim Shihata, referred to in the above quote from Wolfensohn, has highlighted his areas of particular concern: lack of competence, the Bank acting as both judge and jury to determine the quality of a country's political system, the implications for the Bank's reputation on the financial markets and the impact on the poor. 'Conferring on the World Bank a direct and explicit political role for which it has neither the mandate nor the competence would...raise major legal and political issues...Plainly, these provisions do not envisage a role for the World Bank in the political reform of its borrowing members'.⁵²

⁵⁰ Wolfensohn, J.D. (2000). 'NGO Meeting with Mr. Wolfensohn'. Prague, Czech Republic, 22 September. Available at <http://www.worldbank.org/html/extdr/am00/ts092200a.htm>.

⁵¹ Center for Strategic and International Studies (1998). *The United States and the Multilateral Development Banks*. Washington DC: The CSIS Press, p. 40. It should be noted that the US Executive Director has shown no such reluctance. Indeed, the US government strongly supports the World Bank's anti-corruption initiatives and the changes initiated by Wolfensohn. See USGAO (2000). 'World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain'. Report to Congressional Committees, GAO/NSIAD-00-73, April.

Even if it were to amend the Articles, a difficult and laborious process, its entire culture would require restructuring as well. The Bank is staffed largely by economists, and its programmes evolve out of the perceived primacy of economic concerns. A new emphasis on democracy would require that more political scientists, anthropologists and sociologists join the Bank. It would also require new products, new monitoring systems, a switch to qualitative, rather than quantitative measurements for assessment, in addition to the acceptance of the international community as a whole that the Bank belongs in the 'democracy game'. As this thesis will show, there have been some changes made to accommodate the needs of this new work but it is not clear if enough has been done, or indeed if the changes that have already been made are appropriate given the Bank's nature as an institution.

Methodology

In order to address my research questions, I have used both data analysis and interviews (face-to-face and phone). The World Bank has had a reputation for being reticent in releasing information to the public, making analysis of its projects and programmes by outsiders problematic. This has changed somewhat over the past few years following the implementation in 1993 of the Disclosure of Information Policy (currently under review).⁵³ As the Bank began to require transparency and accountability from its borrowers, it was subject to similar calls from its members (notably the US) and from critics. It now makes much more information available but maintains discretion on this availability. 'External release of some information may be precluded on an ad hoc basis when, because of its content, wording, or timing, disclosure would be detrimental to the interests of the Bank, a member country, or Bank staff.'⁵⁴ In addition, all documents must pass through a lengthy vetting process in order to move into the public realm. The combination of this *ad hoc* approach to publication and the vetting process leaves considerable gaps in information within Bank documents, despite the new approach to disclosure.

Bank documents are therefore vital but not sufficient to build an understanding of its anti-corruption programme. The vetting process ensures that material considered inappropriate is deleted (e.g., confidential information, explicit criticisms, anything that contradicts official policy or strategy). Despite this process, conflicts do arise within documents and need to be clarified. Furthermore, it is often the things that documents leave unsaid that are the most vital to understanding the Bank's strategy. In addition, omissions and ambiguities in documents allow staff with differing viewpoints to coexist without facing a confrontation. It is important to distinguish between, and understand, these instances and those where errors in the editing process lead to inconsistencies. Therefore, I have used a number of face-to-face interviews of key Bank personnel and other relevant agencies to build a more complete analysis. Where appropriate, I have also used phone interviews and personal correspondence to achieve similar results. My interviewees were selected using the following criteria: (a) staff involved early on with programme development, (b) policy-making staff (c) regional representatives, (d) staff

⁵² Shihata, I. (2000). *The World Bank in a Changing World, Vol. III*, p. 152-153, 148.

⁵³ World Bank (2000). 'World Bank Policy on Information Disclosure (Discussion Draft)'. Internet. Accessed September 2000. Available at <http://www.worldbank.org/html/pic/disclosure/draftpolicy-en.pdf>.

responsible for internal controls, (d) staff responsible for research and evaluation, (e) executive directors with stated interest in the programme, (f) academics working with the Bank to develop the programme, and (g) NGOs working with the Bank. I used semi-structured interviews to clarify documentary inconsistency or omissions and to verify information gleaned from other interviews.

In some cases I chose to tape the interviews, but this rarely occurred in my interviews with Bank staff. I found that interviewees were more relaxed and open if I did not produce a tape recorder. Instead, I recorded the interviews on paper and typed it up as soon as possible after its conclusion, preferably within the hour. Although these transcripts are not as complete as those that were taped, the actual data gathered is likely to be superior. At the beginning of each interview I explained my interest and that the interview could be used as part of my thesis. Interviewees then made distinctions between on-the-record and off-the-record information. No off-the-record information is included here, although sometimes organisational sensitivities prevent me from identifying sources. These are referred to in the text as ‘confidential personal communication’ or ‘senior staff member’. Appendix 3 provides an overview of my methodology, with descriptions of documents consulted and in-depth information regarding interviewees. Appendix 4 provides a list of interviewees including their institutional affiliation.

I would also like to offer a couple of caveats here. Firstly, the Bank is a vast and complex institution. It appears to some as an unchanging and highly technocratic bureaucracy that either does its job well and is a highly efficient leader in the global marketplace, or instead a behemoth that never learns the lessons of its failures and always insists on ‘business as usual’. On the other hand, some see it as a vastly changing and fluid institution that either easily adapts to the changing political and economic environments in a way that reflects the needs of its members, or instead insists on simply tacking on new philosophies and new sectors without any real rethink of the needs of its members. The truth is that the Bank can be all of these things at the same time. By using documents, news reports and interviews, you can shed different light and shadow on the same issues depending on the sources used, thus highlighting the need for openness and alertness when analysing the data. In addition, when the Bank does change, it does so rapidly. I have had to be flexible in the development of this research to accommodate many changes in a vast programme that the Bank refers to as ‘evolving’. Because of this I have tried to balance detailed analysis with some broad generalisations.

Structure of the Thesis

Chapter Two looks at the way the Bank has developed as an institution since its inception in 1944 to show how it reacts as an institution to changes in the political and theoretical environments. The direction that Bank policy has taken in the past has largely been the result of changes in its environment, and this chapter provides the basis to show that good governance and anti-corruption

⁵⁴ See <http://www.worldbank.org/whatwedo/policies.htm#disclosure>.

work are no different from past efforts. Indeed, we can see how the Bank has been largely a reactive force in development, rather than a proactive one, despite its claims that it has often acted as a 'leader'.

Chapter Three builds an in-depth analysis of the introduction of good governance and anti-corruption work at the Bank. Anti-corruption work has developed out of its interest in good governance, and the two are inextricably linked. Digging back through Bank documents and through interviews with key Bank staff, I show that the Bank has long had an interest in working on corruption. However, the prevailing political climate needed to change before it was able to address the issue as it had long desired. These changes finally came with the end of the Cold War and the continuing failure of structural adjustment to make a significant impact on economic growth in developing countries. Increased media attention to the problems of corruption for development, largely as a result of the work of Transparency International, also helped the Bank to explicitly address the issue without amending its non-political mandate.

Using Bank documents, media accounts, and interviews, Chapter Four provides a thorough analysis of the Bank's current anti-corruption work by focusing on its four-part strategy: minimising corruption in its own work; helping countries build anti-corruption programmes; mainstreaming corruption as a focus in its lending operations; and forming international coalitions to fight corruption. Although this chapter appears to cover a very narrow area, it is actually broad, encompassing areas like procurement, public sector management, community empowerment, civil society, the media, international organisations, financial management, often both from a procedural and a theoretical perspective. The result is an anti-corruption programme at the Bank that is impressive in parts but unmanageable in its entirety.

Chapter Five focuses on the notion of 'comparative advantage', with bilateral and multilateral donors each claiming advantage in some aspect of anti-corruption work. This chapter will, in the first section, provide an overview of major donors' programmes, highlighting the area identified by that organisation as its area of 'comparative advantage'. The second section offers an evaluation of these claims and how they impinge on the future work of the World Bank. Finally, Chapter Six concludes the thesis.

Chapter Two: The Emergence of a Development Agency, 1944-1981

In 1997, the World Bank announced a commitment to combating corruption within its own projects and within its client countries. The first has always been a concern of the Bank since its inception. The second marked a complete departure from past Bank activity, where the Bank had dealt with some of the world's most notoriously corrupt dictators and political regimes, often in the face of heavy criticism from many of its shareholders. This current focus on corruption at the World Bank must thus be seen both within the context of an overall international movement and as the result of certain historical events. It is important to examine the changing philosophy of development at the Bank, with the Bank both informing and being informed by changes in development theory, and also the significance of changes in Bank leadership.

The Bank does not formulate policy in a bubble.⁵⁵ In turn, its position as a leader among development agencies, and the propensity of donors to develop policies through a process of osmosis,⁵⁶ means that any changes at the Bank gradually trickle down into other donor programmes. When producing an analysis of the Bank's anti-corruption programme, it is important to develop an understanding of where it has come from – both in a historical context and in a theoretical one. The Bank is affected by both external factors and actors. It is subject to the vagaries of history – such as war and social upheaval – just like any international organisation. Its work also has a symbiotic relationship with development theory. It feeds off of existing theory and practice but also contributes greatly to the discourse through its own vast research.⁵⁷ In the words of its former General Counsel, 'The World Bank does not exist in a vacuum. It deals with a world that undergoes constant changes in a fast increasing pace. Changes occur not only in the economic conditions and relationships the Bank is meant to address, and in their underlying political, social and environmental underpinnings, but also in the expectations of its members, the ideological orientation of its work and continuously evolving development economic theories'.⁵⁸

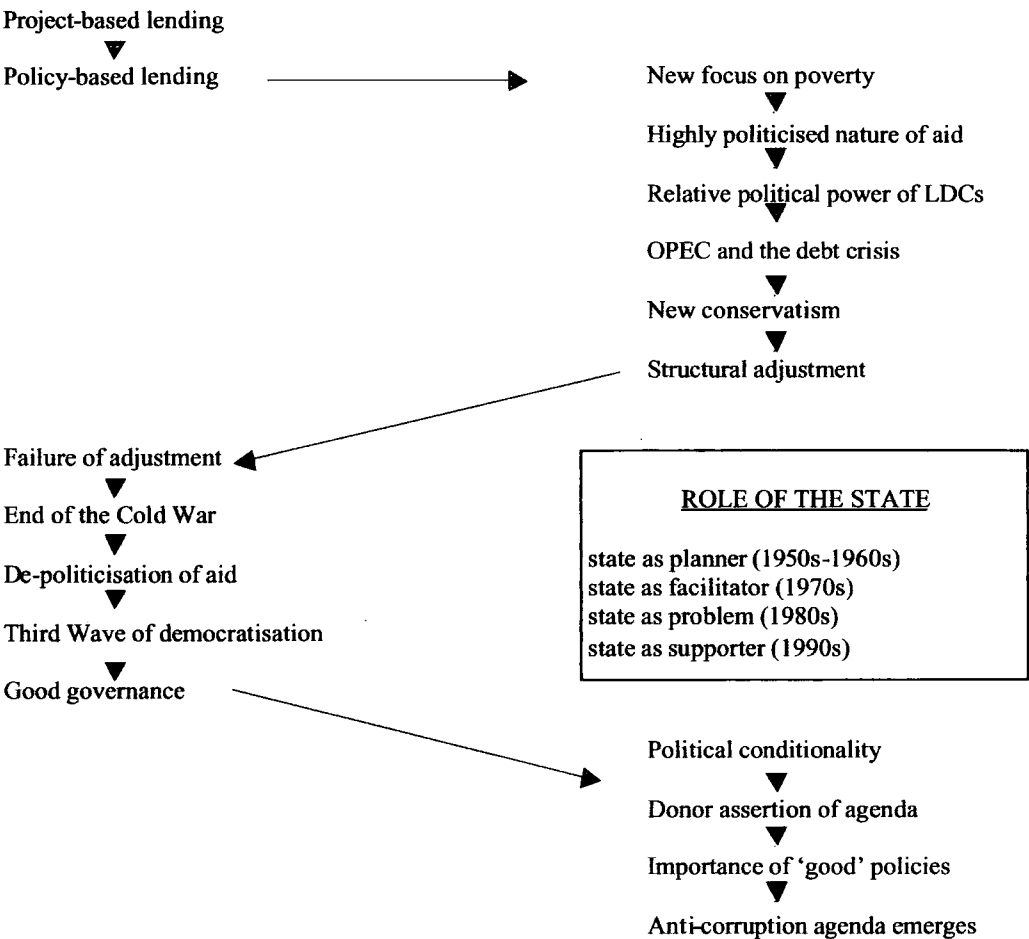
⁵⁵ For an analysis of the way policy is developed at the Bank, see Miller-Adams, M. (1997). 'The World Bank in the 1990s: Understanding Institutional Change'. Unpublished PhD thesis, Columbia University.

⁵⁶ Biersteker refers to the 'mimetic' nature of the multilateral development bank (MDBs) and donor agencies. See, Biersteker, T. (1990). 'Reducing the Role of the State in the Economy: A Conceptual Exploration of IMF and World Bank Prescriptions'. *International Studies Quarterly*, 34, pp. 477-492.

⁵⁷ This role has grown in recent years. According to the Bank, 'The World Bank Group embarked on a new vision in 1996—to become a Knowledge Bank that spurs the knowledge revolution in developing countries and acts as a global catalyst for creating, sharing, and applying the cutting-edge knowledge necessary for poverty reduction and economic development'. See <http://www.worldbank.org/knowledgebank/>.

⁵⁸ Shihata, I. (2000). *The World Bank in a Changing World, Vol. III*. Dordrecht: Kluwer Law International, p. vii.

Figure 2.1: Evolutionary Process: Anti-Corruption Work at the World Bank



This chapter will trace this historical trajectory from the Bank’s early focus on project-based lending to the important shift to policy-based lending under Robert McNamara, and will highlight certain internal and external factors which led to today’s policy on corruption. This evolutionary path can be seen in Figure 2.1. This is important in order to understand the evolutionary process of such a significant shift in focus, leading as it does to an increased politicisation of Bank policy. I will locate myself back into the introduction of anti-corruption work into its agenda in the following chapter.

The World Bank and Bretton Woods

During World War II, allied government officials, especially in the US and UK, realised that stability of international economic markets and reform of the international trade system would be essential factors in the ultimate establishment of long-term peace.⁵⁹ Two of the most prominent economists of the time independently developed plans for international economic institutions which

⁵⁹ See, for example, Morgenthau, H. (1945). ‘Bretton Woods and International Co-operation’. *Foreign Affairs*. 23(2), pp. 182-194.

would bring about stability in the post-war world, separately and without one another's knowledge. Harry Dexter White, the director of the Division of Monetary Research and chief economic advisor to US Treasury Secretary Henry Morganthau, developed the American plan. The British plan was developed by Lord John Maynard Keynes, the pre-eminent economist of the age and an advisor to the British Treasury.

In 1944, President Roosevelt invited the forty-four Allied nations to the Mount Washington Hotel near the Bretton Woods resort in the White Mountains of New Hampshire to discuss the American and British Joint Statement.⁶⁰ In July, more than four hundred delegates arrived, in order to spend twenty-one days discussing the Joint Statement, using it as a framework to draft the Articles of Agreement, as well as establishing organisational details and dealing with the special interests of member countries.⁶¹ It was at Bretton Woods that the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, or World Bank) were born in order '[t]o assist in the reconstruction and development...of members by facilitating the investment of capital for productive purposes...to promote foreign investment...[and] to promote the long-range balanced growth of international trade'.⁶² However, the introduction of the Marshall Plan⁶³ in the same year left the Bank without its primary goal of reconstruction. Work on development had been an afterthought, pushed for by Latin American delegates to Bretton Woods. The Bank had faced immediate criticism from the developing world that its management team cared more about placating Wall Street than aiding less developed countries (LDCs), but with the Marshall Plan, the Bank turned its full attention to the LDCs.⁶⁴

White and Keynes originally intended to head the IMF and Bank, respectively, setting precedent for one to be headed by an American and one by a European. The death of Keynes and murmurs in Washington about White's alleged Communist ties⁶⁵ made this impossible, so Camille Gutt, the former finance minister of Belgium, was appointed as president of the IMF on 7 May 1946. No financiers were found willing to deal with the inevitable politics of heading the Bank, so Truman finally appointed Eugene Meyer, publisher of *The Washington Post* on 25 June. Meyer believed that

⁶⁰ Prepared by the Americans and British in Atlantic City in late June 1944.

⁶¹ Mikesell, R. (1994). 'The Bretton Woods Debates: A Memoir'. Essays in International Finance No. 192, Princeton University, pp. 4-5.

⁶² Article 1 of the Bank's Articles of Agreement, in World Bank (1944). *Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)*. Available at <http://www.worldbank.org/html/extdr/backgrd/ibrd/arttoc.htm>.

⁶³ The Marshall Plan, formally known as the European Recovery Programme, was established by US Secretary of State, George C. Marshall, to provide credit for rebuilding Western Europe, the costs of which were severely underestimated by the drafters of the Bank. In total, over US\$12.5 billion in aid was transferred to sixteen countries in Europe from 1947 until the Plan was phased out in 1951. See Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*. Washington DC: The Brookings Institutions, p. 3.

⁶⁴ Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 51.

⁶⁵ Four years after Bretton Woods, White was named as a Communist spy, and was forced to testify before the Committee on Un-American Activities on 13 August 1948. Although acquitted, he died of a heart attack three days later. See Boughton, J. (1998). 'Harry Dexter White and the International Monetary Fund'. *Finance & Development*, 35(3), pp. 39-41.

the new Bank would have to make very prudent initial lending decisions in order to build a solid reputation among investors; however, his directors wanted to begin disbursing funds immediately.⁶⁶ Chile was the first developing country to apply to the Bank for funds in September 1946, only 3 months after its opening. The \$40 million⁶⁷ loan application presented only a vague outline of possible projects for its use. At the time, Chile was in default on over \$300 million in foreign bonds, and Meyer refused to make the loan, to the consternation of his directors. The US executive director, Emilio G. Collado and Meyer argued vehemently over whether or not the Bank should 'simply hand out money' or make decisions based on sound judgement.⁶⁸ Confrontations such as this led to Meyer's resignation in December, a mere six months after accepting the presidency. Chile did eventually become the first recipient of a Bank loan for development, but not until March 1948, in the amount of \$13.5 million for the building of a dam.

Mikesell claims that challenges faced by the Bank after its establishment 'do not reflect the high competence of its originators. This failure was due in part to the national political pressures on all the participants and in part to the conflicted attempt to create institutions that would both address the immediate post-war financial problems and provide a long-term framework for an international system'.⁶⁹ Several factors were not foreseen by the drafters. First and foremost was the Cold War. Second, the underestimation of the cost of reconstruction. Third, the time necessary to re-establish normal international trade and payments relationships was also underestimated. Fourth, the rapid nature of independence in the colonial world drastically changed the nature of Bank membership. Finally, the drafters did not understand the differences between the needs of the industrialised world in comparison with the needs of the developing one.⁷⁰

Meyer was replaced three months later by John J. McCloy, a Wall Street lawyer and former assistant secretary of war. McCloy brought with him two colleagues from Wall Street - Eugene Black, vice-president of Chase National Bank, to replace Collado as US executive director, and Robert Garner, former treasurer of Guaranty Trust, as vice-president. This change in management heartened the financial community, which recognised the solid reputations of the new appointments. Wall Street responded positively to the Bank's first public sale of bonds on 15 July 1947. By noon, the \$250 million offering was oversubscribed.⁷¹ It was clear that despite early concerns, investors believed that the Bank had a future as a development institution.

⁶⁶ Caufield, C. (1996). *Masters of Illusion: The World Bank and the Poverty of Nations*, New York: Henry Holt and Co., Inc., p. 51.

⁶⁷ Unless otherwise noted, all currency denoted by '\$' will refer to US dollars.

⁶⁸ Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 47.

⁶⁹ Mikesell, R. (1994). 'The Bretton Woods Debates', p. 1.

⁷⁰ Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, pp. 3-4.

⁷¹ Caufield, C. (1996). *Masters of Illusion*, p. 53.

As the Marshall Plan worked to rebuild Europe, a wave of independence rolled throughout the colonial world – starting in India and, over time, throughout Asia and Africa. The Bank's first quarter century saw its membership grow from thirty-eight countries in 1946, to one hundred sixteen countries in 1971.⁷² Although the weighted voting structure still allowed these new countries minimal input into lending decisions and policy making, their external influence was felt most strongly within the Bank vis-à-vis a shift in development ideology.

In the early 1950s, the general consensus was that the neo-classical model of economics based on the free market had failed capitalist countries during the Depression, leading Myint to describe the 'anti-neo-classical' nature of development theory at the time. Myint explains

The consensus...was that the problem of economic development was essentially 'dynamic' and could not be satisfactorily considered in terms of the 'static' neo-classical theory of resource allocation. It was also believed that economic development would not take place simply by relying on the market forces, but needed development planning to push through massive investment programs.⁷³

Roger Stone, director and president of the Sustainable Development Institute, asserts, '...the early World Bank model is often described as "neo-Keynesian"⁷⁴ in recognition of its emphasis on government planning and job creation in the context of a free economy'.⁷⁵ Many countries and institutions, including the Bank, turned therefore to the Soviet Union as a model for rapid development, as it had risen from a primarily peasant economy at the turn of the century to the second most powerful nation in an increasingly bipolar world.⁷⁶ According to Dobb, '...[the Soviet system] affords a unique example of the transformation of a formerly backward country to a country of extensive industrialisation and modern technique at an unprecedented *tempo*...As such it seems likely in turn to become the classic type for the future industrialisation of the countries of Asia'.⁷⁷

⁷² Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 799.

⁷³ Myint, H. (1987). 'Neo-classical Development Analysis: Its Strengths and Limitations'. in Meier, G. (ed). *Pioneers in Development (2nd Series)*. Oxford: Oxford University Press (for the World Bank), pp. 105.

⁷⁴ The Keynesian approach asserts that increased government spending is appropriate if the total current expenditure is not enough to produce full employment. The multiplier effect would encourage economic activity, raising tax receipts and paying off the government deficit. See Preston, P.W. (1996). *Development Theory: An Introduction*. Oxford: Blackwell Publishers Ltd., pp. 154-55; also see Kurihara, K. (1959). *The Keynesian Theory of Economic Development*. London: George Allen & Unwin Ltd.

⁷⁵ Quoted in Bello, W. (1994). *Dark Victory: The United States, Structural Adjustment, and Global Poverty*. London: Pluto Press, p. 12. Original: Stone, R. (1992). *The Nature of Development: a Report from the Rural Tropics on the Quest for Sustainable Economic Growth*. New York: Alfred Knopf, p. 37.

⁷⁶ See, for example, Wiles, P. (1953). 'The Soviet Economy Outpaces the West'. *Foreign Affairs*. 31(4), pp. 566-580; Dunayevskaya, R. (1944). 'A New Revision of Marxian Economics'. *American Economic Review*, XXXIV(3), pp. 531-537; Dobb, M. (1948). *Soviet Economic Development Since 1917*. London: Routledge & Kegan Paul Ltd.

⁷⁷ Dobb, M. (1948). *Soviet Economic Development Since 1917*, p. 2.

The rhetoric of nationalist developmentalism, according to Preston, had been 'used by local leaders in pursuit of independence' and 'affirmed the model of independent statehood which was to be the vehicle of the achievement not merely of political freedom for the elite but also growth and welfare for the masses'.⁷⁸ The Soviet model of economic growth attracted many new countries, such as India and China, and many African nations as well. As James explained, 'The new states searched for a particular economic strategy appropriate to their particular political condition. Their answer often lay in a partial disengagement from the world economy, and a reluctance to accept the goal of currency convertibility, or to see any substantial advantages in trade liberalisation'.⁷⁹

Growth theory fit into the political environment of the time. It managed to combine development through industrialisation, loosely based on a Soviet-style system of planning, with an emphasis on the free market and international trade. Theories of economic growth had been in existence for some time, most prominently those by List, Toennies and, of course, Marx.⁸⁰ However, the most institutionally influential of the twentieth century growth theoreticians is Rostow, who developed a model known as 'modernisation theory'. Rostow's *The Stages of Economic Growth: A Non-Communist Manifesto*⁸¹ sets forth his theory of development, based on that of List, whose model of development also had five stages. The first is the 'traditional society', with its focus on the family and on agriculture. The second stage is the 'preconditions for take-off'. According to Rostow, this stage started in Europe in the late sixteenth century. Preconditions include, among other things, a political system, banks, and growing merchant class. The third stage is the 'take-off', which he defined earlier as 'an increase in the volume and productivity of investment in a society, such that a sustained increase in *per capita* real income results'.⁸² During the take-off, new industries expand, profits are reinvested, savings increase, society and political structures change, and production exceeds consumption. The fourth stage is the 'drive to maturity', where the economy continues to grow at a steady pace. The final stage is the 'age of mass consumption', where production turns to service-based industries and the focus on social security and the welfare state begins.

Rostow's model was criticised by economic and political theorists alike. Hoselitz wrote, 'Economists have, on the whole, seen little usefulness in the various theories of economic stages'.⁸³

⁷⁸ Preston, P.W. (1996). *Development Theory*, p.159.

⁷⁹ James, H. (1996). *International Monetary Co-operation Since Bretton Woods*. New York: Oxford University Press (for the IMF), p. 122.

⁸⁰ See, for example, List, F. (1885). *The National System of Political Economy*, trans. Loyd, S. London: Longmans, Green and Co.; Hoselitz, B. (1960). 'Theories of Stages of Economic Growth'. in Hoselitz, B. (ed). *Theories of Economic Growth*. Glencoe, IL: The Free Press, pp. 193-238; Cahnman, W. & Heberle, R. (1971). *Ferdinand Toennies on Sociology: Pure, Applied, and Empirical*. Chicago: The University of Chicago Press; Gottlieb, R. (1992). *Marxism 1844-1990: Origins, Betrayal, Rebirth*. London: Routledge.

⁸¹ Here Rostow clearly sets his theory of economic growth apart from Marx, creating a capitalist 'alternative' to communism that developing countries could follow.

⁸² Rostow, W.W. (1960). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press, pp. 103-104 (emphasis in original). This text follows on a 1953 book by Rostow, *The Process of Economic Growth*. Oxford: Clarendon Press.

⁸³ Hoselitz, B. (1960). 'Theories of Stages of Economic Growth', p. 234.

Meier and Baldwin stated, 'Almost all historians now recognise the limitations of such a linear conception of history and no longer attempt to classify countries according to stages of development'.⁸⁴ After giving several pages of empirical data, Kuznets scathingly replied, 'Unless I have completely misunderstood Professor Rostow's definition of take-off and its statistical characteristics, I can only conclude that the available evidence lends no support to his suggestions'.⁸⁵ Politicians, on the other hand, as well as international institutions such as the World Bank and the UN, welcomed his theory.⁸⁶ In it they found a non-Soviet justification for development through industrialisation, appealing to both nationalist elements in the newly independent countries of Asia and Africa and to capital-exporting industrialists in the developed world.⁸⁷

The Bank and Development in the 1950s and 1960s

The Bank, meanwhile, had yet to achieve a stable management environment by the end of the 1940s. McCloy resigned relatively soon after taking the helm, in June 1949. A primarily political animal, he left the Bank to become the US high commissioner of Germany, leaving Eugene Black as his successor. Black worked closely with clients and created rapport. 'His personality, his reputation for soundness, and his stature were vital attributes in securing a doubling of the capital subscriptions of the Bank by 1959'.⁸⁸ In its first eighteen months of business, the Bank received only three loan applications from developing countries - Chile, Iran, and Mexico. Indeed, Bank staff had to go out into the field to elicit interest in loans; and when applications did come in, they were vague and for unspecified projects. To address this, Black decided that the Bank should offer developing countries its technical expertise in designing projects for lending.⁸⁹

⁸⁴ Meier, G. & Baldwin, R. (1957). *Economic Development: Theory, History, Policy*. New York: John Wiley & Sons, Inc., p. 145.

⁸⁵ Kuznets, S. (1965). *Economic Growth and Structure: Selected Essays*. London: Heinemann Educational Books Ltd., p. 227.

⁸⁶ In addition to a post-war State Department role as Assistant Chief of the German-Austrian Economic Division, Rostow served in several positions for the US government. According to his biography at the University of Texas: 'In January 1961 President Kennedy appointed Mr. Rostow as Deputy Special Assistant to the President for National Security Affairs. He served in that capacity until December 1961 when he was appointed counsellor of the Department of State and Chairman of the Policy Planning Council, Department of State; in May 1964 the President appointed him to the additional duty of United States Member of the Inter-American Committee on the Alliance for Progress (CIAP) (with the rank of Ambassador). He served in these latter two capacities until early 1966, when President Johnson called him back to the White House as his special Assistant for National Security Affairs, where he remained until January 20, 1969. In 1969, he returned to the University of Texas, where he remains. See <http://www.eco.utexas.edu/faculty/Rostow/biography.html>.

⁸⁷ Preston, P.W. (1996). *Development Theory*, p. 177.

⁸⁸ Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 97.

⁸⁹ In 1949, Colombia became the first country to ask for the Bank's assistance in drawing up a plan for a loan application. Black sent a fourteen person team (which included twelve Americans) to Colombia, resulting in a six hundred forty-two page, five-year plan. The Bank then helped the Colombian government set up a Commission on Economic Development (counselled by Bank staff) to analyse the report in order to determine whether or not to endorse it. When this was completed and the report had official government backing, the Bank helped to establish a National Planning Council to oversee execution of the plan (with Bank staff hired as permanent advisors). 'The Bank was now the driving force behind the decisions Colombia was making about its long-term development'. Caufield, C. (1996). *Masters of Illusion*, pp. 58-59.

Within the first five years of Black's presidency, ninety-six loans were made, totalling over \$1.8 billion, in twenty-eight member countries and three overseas dependencies, with \$1 billion of that total spent outside of Europe.⁹⁰ Black also made the first loan to Sub-Saharan Africa in 1952, to the Belgian Congo (now the Democratic Republic of the Congo). This was a twenty-five year loan, in the amount \$40 million, at a rate of 4.5%, and guaranteed by Belgium. The loan was part of the Congo's Ten Year Development Plan, which called for public investment of up to \$800 million for transport, communications, electric power, water supply, housing, health, education, and research. A large component of the plan involved locating private investment in mining, manufacturing, large-scale agriculture, and commerce, in order to raise exports 30-50% over a ten year period. The Bank's loan was to be used to import the capital equipment necessary to put the plan into motion.⁹¹

In keeping with modernisation theory, the Bank believed that modern infrastructure was the key to successful development. The Food and Agriculture Organisation (FAO) said that the key was improved agriculture; the UN Educational, Scientific, and Cultural Organisation (UNESCO) said it was education; and the World Health Organisation (WHO) said it was health. Only the Bank could back up its theory with money. 'It was the availability of financing for such undertakings that stimulated philosophising about the vital role of economic infrastructure in the development process, rather than the reverse'.⁹² In order to reinforce this philosophy throughout the developing world, the Bank established its Economic Development Institute (EDI) in 1956, funded by the Ford and Rockefeller foundations, in order to educate potential development professionals from developing countries.

Black resigned in 1963, after thirteen years as Bank president. During his term, three hundred seventy loans were made, totalling over \$7 billion, with no defaults, a net income in his last year of \$83 million, and no taint of corruption or mismanagement. Caufield notes, 'Under Black's leadership the Bank was more than a mere lender. It became a diplomat, acting as a middleman in disputes between nations. It became a force in academia, shaping the newly emerging field of development theory. It became the unofficial planning agency for the Third World, co-ordinating the lending of other aid donors. It became an international phenomenon'.⁹³

Development theory truly came into its own during the 1960s, dubbed 'the Decade of Development' by President Kennedy in his Foreign Aid Message of March 1961. He stated,

The 1960s can be - and must be - the crucial 'decade of development' - the period when many less-developed nations can make the transition into self-sustained growth - the period in which an enlarged community of free, stable, and self-reliant nations can

⁹⁰ World Bank (1954). *The International Bank for Reconstruction and Development, 1946-1953*. Baltimore: The John Hopkins Press, p. 9.

⁹¹ World Bank (1954). *The International Bank for Reconstruction and Development, 1946-1953*, pp. 135-136.

⁹² Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 62.

⁹³ Caufield, C. (1996). *Masters of Illusion*, p. 71.

reduce world tensions and insecurity...For we are launching a 'decade of development' on which will depend, substantially, the kind of world in which we and our children will live.⁹⁴

The importance of development to the American government was duly noted by the developing countries, who recognised the opportunity presented by Kennedy's announcement.

In the United Nations, the newly independent countries exerted a considerable amount of influence. At the Sixteenth Session of the UN General Assembly in 1961, LDCs proposed a conference dealing with trade issues. Their primary concern lay with the General Agreement on Trade and Tariffs (GATT), which they saw as inadequate for dealing with trade problems endemic to LDCs. They also disliked GATT's Most Favoured Nation (MFN) and reciprocity provisions, which can be argued are applicable only if trading partners are on equal terms of trade.⁹⁵ The Group of 77⁹⁶ emerged from the first UN Conference for Trade and Development (UNCTAD I), held in Geneva in 1964, as an 'unofficial but very influential group of LDCs within the UN General Assembly'.⁹⁷

The head of UNCTAD, Raúl Prebisch, is generally accepted as the founder of structuralist economics, which rejects the formalism of neo-classical and modernisation models of development, focusing instead on the substantive historical reality of economic activity.⁹⁸ Hettne explains that modernisation was an example of positivism, or 'value-free' social science, which objectively views things as they are, not as they should be. The dependency theories which grew out of Prebisch's structuralism are instead examples of normativism, which instead looks at development as what *should* happen, and acknowledges that different circumstances imply that cases should be looked at subjectively.⁹⁹ Prebisch theorised that those countries which existed in the periphery (the underdeveloped South) of the market (controlled by the developed world in the North at the core) were unable to develop because they were dependent upon declining terms of trade with the core. In other words, the periphery would have to export more and more to the core in order to import the goods that the core produced.¹⁰⁰ To counter this imbalance in terms of trade, he recommended that LDCs support programmes of import-substitution industrialisation (ISI) on a regional basis to build economies of scale, while focusing on exporting manufactures. He also recommended that LDCs pursue policies of

⁹⁴ Quoted in Mikesell, R. (1994). 'The Bretton Woods Debates', p. 6.

⁹⁵ Williams, G. (1987). *Third World Political Organisations* (2nd ed). London: Macmillan Press Ltd., pp. 4-6.

⁹⁶ The Group of 77 now consists of 133 nations.

⁹⁷ Williams, G. (1987). *Third World Political Organisations*, p. 12.

⁹⁸ Preston, P.W. (1996). *Development Theory*, p. 183.

⁹⁹ Hettne, B. (1995). *Development Theory and the Three Worlds* (2nd ed). Harlow: Addison Wesley Longman Ltd., pp. 251-252.

¹⁰⁰ Prebisch, R. (1964). *Toward a New Trade Policy for Development*. New York: UNCTAD; also, Prebisch, R. (1971). *Change and Development: Latin America's great task: report submitted to the Inter-America Development Bank*. New York: Praeger.

income redistribution, promote education, redistribute land from the hands of a few elites to the masses, and therefore create the greater social mobility he believed was necessary to make ISI work.¹⁰¹

Dependency, a neo-Marxist theory, grew out of Prebisch's structuralist theory. Frank stated that dependency of the periphery was intentionally maintained by the core in order to exploit its resources. The only way out of this state, according to Frank, was through socialist revolution resulting in the collapse of the capitalist system.¹⁰² Cardoso and Faletto disagreed with Frank's belief that the periphery had no choices other than revolution, but rather focused on the role of the dominant class and the ownership structure of domestic industry.¹⁰³ Both Nkrumah and Woddis explained that political imperialism had been replaced with economic neo-imperialism in an attempt by the North to exploit the South's resources, to preserve the North's strategic interests, and to prevent the spread of socialism.¹⁰⁴ According to Nkrumah, 'The essence of neo-colonialism is that the state which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside'.¹⁰⁵

Black was replaced by George Woods, a board member of the Henry J. Kaiser Co.¹⁰⁶ and chairman of First Boston Corporation, as president of the World Bank. His five-year term was marked by two ironies. Firstly, he wanted to make the Bank more 'responsive' to the needs of developing countries, but his undiplomatic dealings and tough economic demands soured his relationships with the Bank's borrowing members. Secondly, he suffered great embarrassment at the Bank's prosperity, which had reserves of almost \$1 billion when he took over from Black. With the encouragement of the US and Germany, he started transferring portions of this surplus from the IBRD to the International Development Association (IDA)¹⁰⁷ - over \$200 million from 1964 to 1966.

¹⁰¹ Prebisch, R. (1964). *Toward a New Trade Policy for Development*, pp. 25-26, 113-114.

¹⁰² Frank, A. (1967). *Capitalism and Underdevelopment in Latin America*. New York: Monthly Review Press.

¹⁰³ Cardoso, F. & Faletto, E. (1979). *Dependency and Development in Latin America*. Berkeley: University of California Press.

¹⁰⁴ Nkrumah, K. (1965). *Neo-Colonialism: The Last Stage of Imperialism*. London: Thomas Nelson and Sons Ltd.; Woddis, J. (1967). *Introduction to Neo-Colonialism*. New York: International Publishers.

¹⁰⁵ Nkrumah, K. (1965). *Neo-Colonialism*, p. ix.

¹⁰⁶ The Henry J. Kaiser Co. was involved in a clear example of politically motivated lending and US political involvement in Bank affairs before Woods arrived at the Bank. In 1957, President Nkrumah of Ghana wanted to dam the Volta River to generate electricity for the processing of bauxite deposits into aluminium. The US government wanted the Bank to fund the project, rather than allowing Nkrumah to elicit funding from the Soviets, despite two separate Bank evaluation missions which determined the project was unattractive. The loan was initially declined but then the US State Department discovered that Nkrumah was flying to Moscow. Despite then Bank president Eugene Black's claim that, 'It isn't our business to make loans to prevent the spread of communism', the Bank quickly reversed their decision and approved the loan in 1961. Cited in Caufield, C. (1996). *Masters of Illusion: The World Bank and the Poverty of Nations*. New York: Henry Holt and Co., Inc., p. 83. The consequences of this ill-advised project included the displacement of over eighty thousand villagers, a dramatic increase in disease, extensive famine, and loss of income from fishing due to increased salination in the water supply. George Woods became Bank president shortly after this transaction (1963-1968), replacing Black. Woods was a board member of the Henry J. Kaiser Co. and returned to the board upon his departure from the Bank. Caufield, C. (1996). *Masters of Illusion*, pp. 79-83.

¹⁰⁷ The IDA is an agency of the World Bank that provides loans to the poorer countries at more favourable rates of interest and repayment and is funded solely through contributions from member countries. See Williams, M. (1994). *International Economic Organisations and the Third World*. London: Harvester Wheatsheaf, pp. 101-109.

A World Bank oral history records Woods asking, “Do you really think that a development finance agency ought to measure its success by the lack of defaults? We shouldn’t be concerned by whether a country is able to service a loan. We should be more concerned with what good it is doing for the country”.¹⁰⁸ In an article for *Foreign Affairs*, he warned that LDCs were devoting over one-tenth of their foreign exchange earning to debt service, and yet still had not achieved the ‘precondition of industrialisation, including stable government, an acquisitive outlook, and technical capacity’.¹⁰⁹ Woods’ term as president stands out as being unremarkable, but he did pave the way for a more dramatic role for the Bank in the next decade. His essay contains ‘one of the most widely quoted statements of the first ‘Development Decade’,¹¹⁰ in which Woods claimed, ‘A preliminary study made by the World Bank staff...suggests that the developing countries could put to constructive use, over the next five years, some \$3 to \$4 billion more each year than is currently being made available to them’.¹¹¹ This statement greatly influenced the next Bank president, Robert McNamara, who took over after Woods retired in 1968.

A Turning Point for the Bank

The late 1960s marked a extraordinary shift in the World Bank’s development ideology. This transformation can be partially attributed to the arrival of the remarkable McNamara as president, who possessed a completely different background and ideas than those held by any of his predecessors. In addition, upheavals in the political environment around this time forced McNamara to rethink the Bank’s entire approach to development. Eichengreen and Kenen identify four major changes that altered the *raison d’être* of the World Bank and IMF: (1) the global economic dominance of the United States; (2) the small number of countries involved in the design of the Bank and IMF; (3) the protectionist stance taken by many developed countries (DCs); and (4) the success of DCs in managing domestic change.¹¹²

The Bretton Woods system as envisioned by its founders ended abruptly on 15 August 1971, when US President Nixon announced his New Economic Policy (NEP). The booming American post-war economy was in a state of crisis by the beginning of the 1970s. Industrial productivity was down, excessive domestic inflation existed, unemployment levels were at their highest since the 1930s, and there were also massive short-term capital flow problems. The US faced balance of payments deterioration due to an import increase resulting from increased demand from consumers and industry

¹⁰⁸ Quoted in Caufield, C. (1996). *Masters of Illusion*, p. 91.

¹⁰⁹ Woods, G. (1966). ‘The Development Decade in the Balance’. *Foreign Affairs*. 44(2), p. 206 (emphasis added).

¹¹⁰ Mason, E. & Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 99.

¹¹¹ Woods, G. (1966). ‘The Development Decade in the Balance’, p. 214.

¹¹² Eichengreen, B. & Kenen, P. (1994). ‘Managing the World Economy Under the Bretton Woods System: An Overview’. in Kenen, P. (ed). *Managing the World Economy Fifty Years After Bretton Woods*. Washington DC: Institute for International Economics, pp. 5-6.

and massive military spending on Vietnam.¹¹³ Importantly, it faced increased competition from a recovered European Community as well as from Japan, with the three becoming increasingly interdependent. Instead of seeking a way to work within the state of increasing interdependence, the US suspended the convertibility of the dollar into gold, destroying the pegged rate system of Bretton Woods.¹¹⁴ This had the effect of 'shattering the linchpin of the entire international monetary system - on whose smooth functioning the world economy depends'.¹¹⁵ The NEP also imposed several new import surcharges; set up export subsidies and a business development incentive program which discriminated against foreign inputs; reversed traditional US policy regarding protectionism and free trade; and Nixon himself broke tradition by calling for a decrease in foreign aid, taking domestic political credit for the action.¹¹⁶ A weakening global economy forced the Bank to justify its existence and its need for financial contributions from DCs by changing its overall approach and introducing an emphasis on morality and on poverty.

Poverty and the Change to Policy-Based Lending

Robert McNamara joined the Bank in June 1968, and was the first Bank president (and the last, thus far) to hold a high-level political position. As early as 1966, while still US Secretary of Defence, McNamara gave a speech in which he announced that US security interests lay in LDCs because he believed there existed a correlation between poverty and violence. He stated, 'There is an irrefutable relationship between violence and economic backwardness...In a modernising society, security is development...A developing nation that does not in fact develop simply cannot remain secure'.¹¹⁷ His ideology became known as 'containment liberalism', whereby 'the poor could gain a larger share of the national wealth without political and social upheaval or without seriously depriving local elites'.¹¹⁸ Achieving balance between the poor and elites was, in McNamara's opinion, the key to successful development and also the key to global stability. He was therefore distressed to find, upon his arrival at the Bank, that Congress held *de facto* control over many of the IDA's lending decisions, because of its unique funding position.¹¹⁹ When McNamara asked staff why there was no lending in certain areas, '[h]e was told that Indonesia was a pariah to the American government; Egypt was unpopular with Congress; Africa was too backward to benefit from the Bank anyway'.¹²⁰

¹¹³ Keohane, R. (1984). *After Hegemony: Co-operation and Discord in the World Political Economy*. Princeton: Princeton University Press, pp. 9, 206-207; Peterson, P. (1971). *The United States in the Changing World Economy*. Washington DC: US Government Printing Office, pp. ii, 11.

¹¹⁴ Keohane, R. (1984). *After Hegemony*, p. 186.

¹¹⁵ Bergsten, C.F. (1994). 'Managing the World Economy of the Future', in Kenen, P. (ed). *Managing the World Economy Fifty Years After Bretton Woods*. Washington DC: Institute for International Economics, p. 199.

¹¹⁶ Peterson, P. (1971). *The United States in the Changing World Economy*, p. 1; Bergsten, C.F. (1994). 'Managing the World Economy of the Future', pp. 199-200.

¹¹⁷ Cited in Shapley, D. (1993). *Promise and Power: The Life and Times of Robert McNamara*. Boston: Little, Brown and Co., p. 381.

¹¹⁸ Shapley, D. (1993). *Promise and Power*, p. 546.

¹¹⁹ Unlike the IBRD, which raises funds by selling its bonds in the financial markets and charges market rates for the money it lends, the IDA offers the poorest countries interest-free loans from funds that it receives from donor countries.

¹²⁰ Shapley, D. (1993). *Promise and Power*, p. 469.

In his inaugural address to the Bank's Board of Governors in September 1968, he established his desire to set a 'development plan' for each LDC with a list of projects that would receive support if money was no object.¹²¹ He stated a firm commitment to double Bank lending in the following five years from that lent in the previous five, as well as to increasing lending in Africa, Asia, and Latin America, with new projects for sectors previously untouched - education, health, family planning and agriculture. During his first five-year term, McNamara kept his promise to double lending in comparison to the previous five years. As a matter of fact, he succeeded in doubling lending in comparison to the previous *twenty-five* years. In West Africa, there were almost three times the number of project commitments in his first five years than in the previous twenty-five. In East Africa, as well as Europe, the Middle East and North Africa, the total number of money committed almost doubled during the same period. Under McNamara, Bank spending increased from approximately US\$2.7 billion in 1970 to US\$8.7 billion by 1978, with the aim of alleviating poverty and maintaining political stability in the developing world. This additional funding was created by tapping the previously under-utilised European financial markets, which not only increased finance available to the Bank but also decreased reliance on the US capital market.

Table 2.1: Bank Group Financial Commitments to Developing Countries by Region (\$ in millions)

Region	Number of projects		Amount of commitments (1981 prices)	
	1946-1968	1969-1973	1946-1968	1969-1973
East Africa	78	104	\$834	\$1,099
West Africa	35	102	522	891
Europe, Middle East, North Africa	113	168	1,785	3,198
Latin America, Caribbean	281	176	3,554	3,734
Asia	201	210	3,927	4,496
Total	708	760	\$10,622	\$13,418

Source: McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 234.

Table 2.1 shows that the total amount committed and the number of projects grew, but the average amount spent per project declined. This is due to a change in focus from project finance to policy finance. Singer claims McNamara 'seized eagerly upon an academic doctrine by the name of "fungibility", which maintains that if high priority projects are funded, it frees up government reserves which would have been spent on that project and can now be spent instead on things like the military, high civil service salaries, and pet projects'.¹²² Hence, lending for individual projects could distort

¹²¹ McNamara, R. (1981). *The McNamara Years at the World Bank: Major Policy Addresses of Robert S. McNamara 1968-1981*. Baltimore: The John Hopkins University Press, p. 6.

¹²² Singer, H. (1994). 'Aid Conditionality'. IDS Discussion Paper No. 346, December, p. 2.

overall development priorities.¹²³ In this vein, McNamara recognised that building a dam is not enough to encourage development. A country must also have engineers and managers to ensure the dam produces results after it is built, and it must also have healthy people ready to take advantage of the benefits a dam could bring. McNamara believed that current Bank lending presented a disjointed approach to development, and that, 'What we need - and what we must design - is a comprehensive strategy that will constitute an overall plan into which particular policies and individual projects can be fitted as logical, integral parts'.¹²⁴ This included a shift in focus from project lending, for things like dams and airports, to policy lending, for health, education and improvements in agriculture.

The consensus which emerged under McNamara's leadership became one based upon poverty alleviation, rather than simply economic growth, with the following considered necessary: '(1) investment in education, health, nutrition, low-income housing, communications, and information; (2) employment generation through economic growth; (3) support of small enterprise development through credits, technical assistance, the provision of information, and clear, secure property rights; and (4) the provision of efficient public or private safety nets'.¹²⁵ The language and concepts introduced were foreign to the Bank as a financial organisation. McNamara discussed redistribution of income and land reform. He insisted that 'the rich and powerful have a *moral* obligation to assist the poor and the weak'.¹²⁶ The sweeping goals he set for himself and his staff were criticised by many within the organisation as unquantifiable and fiscally unsound,¹²⁷ but became the backbone of its lending strategy despite this.

OPEC and the Effect on ODA

In 1973, five years after McNamara became Bank president, the price of oil doubled.¹²⁸ The increased price shocked both developed and developing countries, as the average price per barrel of oil rose seven-fold in three years, from approximately \$2.00 in 1972 to approximately \$14 in 1974.¹²⁹

¹²³ This problem of fungibility is still acknowledged by the Bank and is cited as one of the main reasons for the new Comprehensive Development Framework (CDF), currently being piloted in Ghana. Interview with Polly Jones, Washington DC, 2 February 2000. See Chapter Four for a discussion of the CDF.

¹²⁴ McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 73.

¹²⁵ Ardito-Barletta, N. (1994). 'Managing Development and Transition'. in Kenen, P. (ed). *Managing the World Economy Fifty Years After Bretton Woods*. Washington D.C. : Institute for International Economics, p. 176.

¹²⁶ McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 240 (emphasis added).

¹²⁷ Shapley, D. (1993). *Promise and Power*, p. 669.

¹²⁸ The Shah of Iran announced that consumer nations 'will have to realise that the era of their terrific progress and even more terrific income and wealth based on cheap oil is finished.' 'Gulf States Will More than Double Oil Prices from New Year's Day'. *The Times (London)*. 24 December 1972, p. 1. This should not have been surprising to oil-importing countries. As early as 1960, the *Financial Times* reported that oil-producing countries had met to discuss raising oil prices to the level existing prior to the cuts made by Western oil companies, which generally owned the oil supplies in a 50-50 split with the host governments. Williams, G. (1987). *Third World Political Organisations* (2nd ed). London: Macmillan Press Ltd., p. 87. In 1971, the first threat of uniform action by the Organisation of Petroleum Exporting Countries (OPEC) was announced, and *The Times* warned that 'the exploitation of natural resources of less developed countries by outside interests' must end, and that 'failure to do so may simply be building up a much more intractable set of problems for the future.' 'OPEC States Its Terms'. *The Times (London)*. 8 October 1973, p. 25.

¹²⁹ World Bank (1980). *World Development Report*. New York: Oxford University Press, p. 14.

Global inflation rates soon soared and other commodities, many produced in the developing world, followed suit.¹³⁰ Unfortunately, the oil embargo proved costly to the oil-importing LDCs, and the benefits received from inflated commodities prices were short-lived. The cost of oil imports increased by \$10 billion, or 40% of the entire net inflow of external capital to LDCs in 1973.¹³¹ DCs, facing increased pressure at home, sought to decrease their contributions to the IDA, limiting the Bank's ability to increase lending to the very poorest countries at a time when the need for aid had greatly increased. McNamara told the Board of Governors in 1974, '...aid is not a luxury - something affordable when times are easy, and superfluous when times become temporarily troublesome. It is precisely the opposite. Aid is a continuing social and moral responsibility, and its need now is greater than ever'.¹³²

Table 2.2: Inflation - Index of International Prices¹³³

	1956	1968	1972	1973	1974
Index: 1967-1969 = 100	94	98	128	154	175
% change over previous year	2.3	-1.4	10.1	20.5	14.0

Source: McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 274.

To offset the decrease in IDA funding, McNamara arranged a meeting with the Iranian Shah Mohammed Reza Pahlavi to explain the detrimental effects of the embargo on the world's poor. In February 1974, the Shah promised that OPEC would establish a fund in order to make concessional loans for growth, one-third administered by the Bank's LDC Board of Governors, one-third by OPEC, and one-third by the DCs. The plan never materialised, because other OPEC countries were angered at not being consulted, and Nixon and Congress used their 23% vote in the Bank to block it.¹³⁴ However, it did bring attention to the need for further bilateral aid.¹³⁵ As we can see in Table 2.3, overall OECD aid increased fivefold from 1960 to 1980, although it decreased as a percentage of GNP. OPEC countries began giving foreign aid in 1975, contributing a significant amount compared to OECD countries, if one looks at percentage of GNP.

¹³⁰ For example, a poor sugar harvest in Cuba, the USSR and Europe, combined with the OPEC oil embargo, forced sugar prices through the roof. In 1973, the world market price was GB£99.46, but increased to GB£305.13 in 1974; see, Mahler, V. (1981). 'Britain, the European Community, and the Developing Commonwealth: Dependence, Interdependence, and the Political Economy of Sugar'. *International Organisation*. 35(3), Summer, p. 477.

¹³¹ McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 275.

¹³² McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 291.

¹³³ An index of capital goods and manufactured exports prices of major developed countries. The index also reflects changes in exchange rates.

¹³⁴ Shapley, D. (1993). *Promise and Power*, p. 518.

¹³⁵ Williams, G. (1987). *Third World Political Organisations*, p. 82.

Table 2.3: Official Development Assistance (ODA) from OECD and OPEC Members, 1960-1980
(selected years) ¹³⁶

	1960	1965	1970	1975	1976	1977	1978	1979	1980
OECD (\$ in millions)	4,628	6,478	6,967	13,820	13,829	15,680	19,994	22,267	24,594
OECD (as % of donor GNP)	.51	.49	.34	.36	.33	.33	.35	.34	.34
OPEC (\$ in millions)	n/a	n/a	n/a	5,516	5,596	5,866	4,344	4,711	n/a
OPEC (as % of donor GNP)	n/a	n/a	n/a	2.71	2.27	1.96	1.35	1.28	n/a
Total (\$ in millions)	4,628	6,478	6,967	19,336	19,425	21,546	24,338	26,978	24,594

Source: World Bank (1980). *World Development Report*, pp. 140-141.

The Debt Crisis

During the period of buoyant commodity prices in the early 1970s, many developing countries borrowed heavily from private foreign commercial banks against future commodity earnings, calculated at the inflated prices which existed at the time. Private investment by commercial banks in LDCs picked up in the 1960s and soon surpassed that of the World Bank in the 1970s. This was due mainly to the rise of the 'Eurodollar', the term used to describe US dollars held outside the US.¹³⁷ Bankers everywhere saw possibility in this. They could trade in US dollars, the currency of international trade, while bypassing restrictive US laws. Even US banks began opening branches overseas to take advantage of this. In 1960, only eight US banks held branches overseas, but this figure had risen to one hundred and seven by 1972.¹³⁸

After the OPEC embargo, new oil millionaires began to invest in Eurodollar accounts in international banks at high rates of interest. The banks, faced with a massive increase in deposits, sustained these high interest rates with loans made to LDCs, also at high rates of interest.¹³⁹ Few of the new lenders had experience in making capital risk assessments for LDCs, and did not pay attention to how the money was being spent or to the management of the currency composition of the debt.¹⁴⁰ These loans were so profitable, bankers went out actively seeking LDC governments to offer finance, whether needed or not. These lending decisions were based upon the belief that unlike individuals, 'governments...never willingly default on sovereign debt'.¹⁴¹ In the words of Caufield, 'To paraphrase

¹³⁶ Figures for OECD members were converted into 1978 prices.

¹³⁷ In 1949, when the Communists came to power in China, they transferred seized dollars to the Soviet-owned Banque Commerciale pour L'Europe du Nord in Paris, creating the Eurodollar.

¹³⁸ Caufield, C. (1996). *Masters of Illusion*, pp. 127-128.

¹³⁹ Caufield, C. (1996). *Masters of Illusion*, pp. 127-128.

¹⁴⁰ For example, if the debt is in DM but export earnings are in US\$, the price of US\$ to DM affects the borrower's ability to pay. Ducker, J. (1998). 'Muath Welfare Trust: Investing in a Better World'. Paper presented at the People's Summit Programme, Birmingham, 17 May, p. 6.

¹⁴¹ Mosley, P. et al. (1991). *Aid and Power: The World Bank and Policy-Based Lending (Vol. 1)*. London: Routledge, p. 6.

Oscar Wilde's characterisation of fox hunting, the lending boom of the 1970s and early 1980s was the uninformed in pursuit of the uncreditworthy'.¹⁴²

Despite the growing atmosphere of uncertainty and turmoil, McNamara insisted that LDCs deeply in debt continue to borrow, reasoning that debt is not a liability but rather a catalyst for growth. Speaking to the Board of Governors in 1978, he said, 'While a number of analyses have concluded that there is no general problem of middle-income developing countries being unable to service debt, individual countries may run into liquidity problems. The availability of private capital to a broader range of middle-income developing countries would make the market less sensitive to developments in a restricted few'.¹⁴³ However, unanticipated exogenous shocks, such as the decline in commodity prices, unprecedented oil prices, declining terms of trade, increased trade protectionism in developed countries, high interest rates, a strong dollar, and adverse weather conditions, and further endogenous shocks such as capital flight, inefficient state enterprises, and poor fiscal management by debtor governments precipitated a debt crisis by 1982.¹⁴⁴ LDCs were left with high levels of external debt and no means with which to obtain the foreign exchange required to pay. In 1970, total external debt owed by LDCs was \$17 billion, but by 1978 this figure stood at \$55 billion.¹⁴⁵

In 1976, Zaire stopped payment of over \$700 million owed to private banks. The banks did not want to reschedule for fear of setting precedent; instead, Citibank called on creditors to lend a further \$250 million to cover the overdue payments. Zaire was unwilling to adopt required economic reforms, and instead defaulted on a further \$800 million owed to bilateral and multilateral agencies. The IMF placed Erwin Blumenthal, a former Bundesbank official, in charge of Zaire's central bank, but he took only a year to determine that the situation was hopeless. Therefore, most creditors had to write off their loans.¹⁴⁶ Zaire was followed by Peru (1977), Turkey (1978), Iran (1979) and Poland (1981).

¹⁴² Caufield, C. (1996). *Masters of Illusion*, p. 131.

¹⁴³ McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 494.

¹⁴⁴ See, for example, Sachs, J. (ed). (1989). *Developing Country Debt and the World Economy*. Chicago: The University of Chicago Press; Commins, S. (ed). (1988). *Africa's Development Challenges and the World Bank: Hard Questions, Costly Choices*. Boulder: Lynne Rienner Publishers, Inc.; Mosley, P. et al. (1991). *Aid and Power*; World Bank (1981). *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. Washington D.C.: The World Bank.

¹⁴⁵ World Bank (1980). *World Development Report*, p. 138.

¹⁴⁶ Caufield, C. (1996). *Masters of Illusion*, p. 135.

Table 2.4: Borrowings of the Middle Income Countries from the World's Private Banking System (\$ in billions)¹⁴⁷

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Claim of private banks on LDCs - year end	30	37	44	53	72	92	110	151	204	251
Increase in bank's claims on LDCs	n/a	7	7	9	19	20	18	41	53	47

Source: McNamara, R. (1981). *The McNamara Years at the World Bank*, p. 627.

Table 2.5: Total LDC Foreign Debt (\$ in millions)

	Commitments		Avg. interest rate (%)		Avg. maturity (years)		Avg. grace period (years)	
	1970	1982	1970	1982	1970	1982	1970	1982
Low-income	3,008	10,046	2.8	4.9	31	30	9	7
Middle-income	10,585	76,755	6.0	11.7	17	12	4	4

Source: World Bank (1984). *World Development Report*. New York: Oxford University Press, pp. 250-251.

The gravity of the matter became apparent when Mexico announced in 1982 that it could not pay the \$81 billion owed to foreign creditors. To illustrate the serious nature of this announcement, two-thirds of Citibank's net corporate assets were held in Mexican loans, and over 80% of the Bank of Tokyo's. If other Latin American countries were to default as well, the top six US banks would go bankrupt. The IMF was forced to step in. It gave Mexico emergency loans with conditions of austerity and the promise to keep up interest payments on existing debt. It also arranged for \$5 billion more in loans from private banks by threatening to let Mexico default.¹⁴⁸ With this, a new role for both the IMF and World Bank emerged.

McNamara and Politics

Robert McNamara's time as Bank president provides interesting examples of the Bank's political involvement in US foreign affairs, not necessarily surprising considering that McNamara is a former US Secretary of Defence. On 4 November 1979, as McNamara argued with Congress that the IDA required more funding to help offset the oil price shocks, the US embassy in Iran was invaded. According to Shapley, 'The mighty United States, long-term protector of Iran and largest financier of the Bank and IDA, had been spit in the eye. So much for foreign aid'.¹⁴⁹ Congress pounced on the issue and refused to release funds to the IDA unless it received a guarantee from the Bank that the funds would not be lent to Iran, and also Vietnam, Cambodia, Cuba, Laos, Angola, or the Central African

¹⁴⁷ Includes small amounts loaned to low-income countries which could not be separated out of the total.

¹⁴⁸ Makin, J. (1984). *The Global Debt Crisis*. New York: Basic Books, pp. 14-15, 136.

¹⁴⁹ Shapley, D. (1993). *Promise and Power*, p. 561.

Republic. Although this violated the Bank's non-political mandate, McNamara agreed. This action immediately undermined the Bank's credibility as an international (as opposed to US) organisation, and McNamara was forced to retract his statement.¹⁵⁰

Following the election of US President Jimmy Carter, Senator James Abourezk, a Democrat from South Dakota, accused the Bank of seeming to favour non-democratic military regimes in its lending portfolio. He cited Chile, Uruguay, Argentina, and the Philippines, which were each scheduled to receive loans at that time totalling \$664 million, despite accusations by the international community of gross violations of human rights.¹⁵¹ Congress passed the 'International Financial Institutions Act, 22 USC 262 g'¹⁵² to require US executive directors to use their votes in the IFIs to 'advance the cause of human rights', by avoiding lending to torturers or those regimes who give refuge to terrorists.¹⁵³ A further bill in the Senate required 'U.S. delegations to international financial institutions to vote against loans for gross violators of human rights, unless funds directly benefit basic human needs'.¹⁵⁴ However, these bills caused great controversy within the US government. Liberals in Congress who had lobbied for and pushed through the legislation balked at the idea of cutting off funds to the IFIs in order to influence policy on human rights, because they believed the IFIs were good for development overall and thought cutting off funds would adversely impact the poor.¹⁵⁵ Carter himself opposed the legislation 'as an unwise restriction on executive authority and a politicisation of the multilateral bank'.¹⁵⁶ Even the US administration wanted to uphold the Bank's non-political mandate. However, the legislation was passed by Congress, although it has not always been consistently applied.

Conclusion: The Advent of Structural Adjustment

Meanwhile, politicians in the North were facing a changing of the guard, especially in the US and UK. Conservative Margaret Thatcher was elected Prime Minister of Britain in 1979. Within a month, the new government cut taxes and spending, including foreign aid.¹⁵⁷ When Republican Ronald Reagan was elected US president in 1980, he appointed David Stockman, one of Reagan's infamous 'Whiz Kids', as director of the Office of Management and Budget. The many supporters of 'supply-side economics' believed the budget could be balanced through tax cuts, which would increase the incentives to earn and hence increase overall tax revenues in the long-term. Stockman realised that in order to finance this tax cut and the increased defence spending required by Reagan, overall spending would have to be cut by approximately \$40 billion in fiscal year 1982 in order to produce the balanced

¹⁵⁰ Shapley, D. (1993). *Promise and Power*, pp. 570-572.

¹⁵¹ Rich, B. (1994). *Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development*. Boston: Beacon Press, pp. 99-100.

¹⁵² Amendment to Sec. 701 of the Foreign Assistance Act of 1961.

¹⁵³ Forsythe, D. (1988). *Human Rights and U.S. Foreign Policy: Congress Reconsidered*. Gainesville: University of Florida Press, p. 183.

¹⁵⁴ Senate Bill No. HR5262 (18/6/77), cited in Forsythe, D. (1988). *Human Rights and U.S. Foreign Policy*, p. 30.

¹⁵⁵ Forsythe, D. (1988). *Human Rights and U.S. Foreign Policy*, p. 154.

¹⁵⁶ Forsythe, D. (1988). *Human Rights and U.S. Foreign Policy*, p. 60.

¹⁵⁷ Shapley, D. (1993). *Promise and Power*, pp. 572-573.

budget promised by Reagan during his campaign.¹⁵⁸ One of his first casualties was the then unpopular budget for foreign aid, especially for the IDA.¹⁵⁹ In Stockman's own words:

The Gramm-Stockman budget plan had called for deep cuts in the foreign economic aid on the basis of pure ideological principle. Both [Phil] Gramm and I believed that the organs of international aid and so-called Third World development - the UN, the multilateral banks, and the US Agency for International Development - were infested with socialist error. The international aid bureaucracy was turning Third World countries into quagmires of self-imposed inefficiency and burying them beneath mountainous external debts they would never be able to repay.¹⁶⁰

In order to exist in this new antagonistic environment, it was obvious that the Bank had to change. McNamara was aware of this need, even before the elections of Reagan and Thatcher. Speaking to the Board of Governors in Belgrade in 1979, McNamara announced a new kind of lending that the Bank was possibly looking to implement that would assist in export promotion and prevent balance of payment difficulties in LDCs, which would be known as structural adjustment.¹⁶¹ The first structural adjustment loan (SAL) was made in March 1980 to Turkey for \$200 million, with a total of \$1.5 billion scheduled over a four-year period.¹⁶² McNamara did not see out the programme he initiated. Despondent after the death of his wife and discouraged by the failure of his 'war on poverty', he retired in June 1981 and was replaced by A.W. 'Tom' Clausen, the former head of the Bank of America.¹⁶³

Intending to find ways to trim the Bank's US financing, the Treasury department investigated the usefulness of the Bank for US interests, but found that 'the United States is without question the major influence in the Bank'.¹⁶⁴ Examples of US influence included 'McNamara's 1979 pledge not to lend to Vietnam, the Bank's refusal to lend to Chile while Allende was in power, and its willingness to lend generously to friends of the United States, such as Zaire, Indonesia, Thailand, and the Philippines, even when they failed to meet the Bank's normal standards of creditworthiness'.¹⁶⁵ The administration lobbied for, and won, an increase in its contributions to the Bank and IMF in light of its approval for the Bank's role and its structural adjustment programmes.¹⁶⁶ It backed off, for the most part, from

¹⁵⁸ See Hogan, J. (1988). 'The Office of Management and Budget and Reaganomics: The rise and decline of a presidential staff agency'. in Lees, J.D. & Turner, M. (eds). *Reagan's First Four Years: A New Beginning?* Manchester: Manchester University Press, pp. 95-121.

¹⁵⁹ Shapley, D. (1993). *Promise and Power*, pp. 578-579.

¹⁶⁰ Stockman, D. (1986). *The Triumph of Politics: The Crisis in American Government and How it Affects the World*. Sevenoaks, Kent: Hodder & Stoughton Ltd., p. 124.

¹⁶¹ McNamara, R. (1981). *The McNamara Years at the World Bank*, pp. 549; 602-603.

¹⁶² Caufield, C. (1996). *Masters of Illusion*, p. 146.

¹⁶³ Caufield, C. (1996). *Masters of Illusion*, pp. 140-144.

¹⁶⁴ Cited in Caufield, C. (1996). *Masters of Illusion*, p. 200. Original: US Dept. of Treasury (1982). *United States participation in the multilateral development banks in the 1980s*. Washington DC: GPO.

¹⁶⁵ Caufield, C. (1996). *Masters of Illusion*, p. 200.

¹⁶⁶ Cingranelli, D. (1993). *Ethics, American Foreign Policy, and the Third World*. New York: St Martin's Press, Inc., pp. 196-197.

trying to influence Bank lending for human rights considerations, reflecting a different approach to human rights in the new administration.¹⁶⁷

The debt crisis helped to discredit McNamara's 'containment liberalism', after which Bank policy institutionalised neo-liberalism within the aid agenda. The crisis was blamed in part on government mismanagement, so neo-liberalism argued 'for the abandonment of economic planning directed by the state and for a return to free markets, the principles of comparative advantage, and the development of entrepreneurial spirit'.¹⁶⁸ This ideology became popularly known as 'the Washington Consensus', which 'begins with the view that decentralised, market-driven or market-oriented economies are the best performers in terms of production and economic growth, economic efficiency, and flexibility and adaptability to change in the international situation caused by economic cycles and by secular changes in technology, information, relative prices, factor mobility, and consumer preferences'.¹⁶⁹ Within the first week of Clausen's term, he made it known that he disagreed with McNamara's focus on poverty and with the overall version of 'Keynesian economics' followed by the Bank up to that point. Instead he believed in 'supply-side economics', really a version of 'trickle-down economics', where the benefits of economic growth 'trickle-down' from the rich to the poor, with growth stimulated by the private sector.¹⁷⁰

The Berg report, published in 1981, set out the Bank's plans for structural adjustment, and is often credited with engendering neo-liberalism. It stated that Sub-Saharan Africa's poor economic performance was based on rapid population growth, the legacy of colonialism, poor crop performance due to inclement weather, and poor public policy. Declaring that 'increased aid *together with policy reform* holds the promise of a highly fruitful investment which will be able to accelerate growth during the 1980s',¹⁷¹ the Bank proposed the establishment of 'structural adjustment programmes' (SAPs). The four main elements of SAPs are currency devaluation, reduction of the state's role within the economy, elimination of subsidies in order to improve price incentives and the liberalisation of trade.¹⁷² The intent of SAPs are to 'support programmes of specific policy changes and institutional reforms in order to achieve improvements in the balance of payments, maintain economic growth in the face of severe constraints and increase inflows of external assistance'.¹⁷³

¹⁶⁷ Caufield, C. (1996). *Masters of Illusion*, p. 204. As Caufield points out, this does not mean that it did not influence the Bank to make improper loans for political reasons. One example is a \$1.25 billion loan to Argentina, made in 1988, despite Bank staff objections to the country's fiscal policies. Secretary of State Baker, a close friend of Bank president Barber Conable, 'wanted to forestall social unrest in Latin America during the run-up to the US presidential election'. The Bank was forced to cancel the loan four months later when it proved unviable (p. 204).

¹⁶⁸ Dickson, A. (1997). *Development and International Relations: A Critical Introduction*. Cambridge: Polity Press, p. 141.

¹⁶⁹ Ardito-Barletta, N. (1994). 'Managing Development and Transition', p. 175.

¹⁷⁰ Caufield, C. (1996). *Masters of Illusion*, p. 144.

¹⁷¹ World Bank (1981). *Accelerated Development in Sub-Saharan Africa*, pp. 121-122 (emphasis in original).

¹⁷² Gordon, D. (1992). 'Conditionality in Policy-Based Lending in Africa: USAID Experience'. in Mosley, P. (ed). *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries*. London: Macmillan Press Ltd., p. 30; Riddell, R. (1987). *Foreign Aid Reconsidered*. London: James Currey Ltd., p. 214.

¹⁷³ Williams, M. (1994). *International Economic Organisations and the Third World*. London: Harvester Wheatsheaf, p. 117.

SAPs have indeed succeeded in achieving this final aim - to increase flows of external assistance, both in grant form and in loans. Total external debt owed by LDCs was \$106 billion in 1980, but was a remarkable \$535 billion in 1995, constituting 38.7% of LDC GNP and 183.9% of exports.¹⁷⁴ Furthermore, in 1980, 22% of Sub-Saharan Africa's external debt was owed to multilateral agencies (such as the World Bank and the International Monetary Fund [IMF]). In 1995, this figure was 40%,¹⁷⁵ indicating not only an overall increase in external debt since SAPs were introduced, but also that a larger percentage of this debt is owed to the multilateral institutions.

Edward Jaycox, formerly Vice-President for Africa at the Bank, explains that 'the Bank's main goal as a development institution is to assist a country both to accelerate its economic growth and reduce domestic poverty',¹⁷⁶ but many critics believe that SAPs have had the opposite effect on Sub-Saharan Africa. Not only have the poor themselves been adversely affected by SAPs, but their ranks have swelled since their implementation. In the 1980s, incomes in Sub-Saharan Africa fell by an average of 20%, unemployment quadrupled, investment fell to pre-1970 levels, and its share of global trade halved to 2%.¹⁷⁷ In 1994, the World Bank claimed that, 'In African countries that have undertaken some reforms and achieved some increase in growth, the majority of the poor are *probably* better off and *almost certainly* no worse off'.¹⁷⁸ In 1992, the *World Development Report* showed a mixed review to SAPs. It estimates that middle-income countries showed growth rates four percent higher than would have occurred without SAPs, but lower-income (mostly in sub-Saharan Africa) results were mixed.¹⁷⁹ Table 2.6 shows a comparison over time of GNP growth or decline between Sub-Saharan Africa, with a high proportion of countries under Bank-directed adjustment, and Southeast Asia, where adjustment was rare. 52% of all countries surveyed in Sub-Saharan Africa show a decrease or stagnation in GNP, while the same figure for Southeast Asia is only 13%.¹⁸⁰

¹⁷⁴ World Bank (1997). *World Development Report*. New York: Oxford University Press, p. 246.

¹⁷⁵ World Bank (1997). *World Development Report*, pp. 246-247.

¹⁷⁶ Jaycox, E. (1988). 'What Can Be Done in Africa? The World Bank's Response', p. 20.

¹⁷⁷ Oxfam (1995). *A Case for Reform: Fifty Years of the IMF and the World Bank*. Oxford: Oxfam Publications, p. 9.

¹⁷⁸ World Bank (1994). *Adjustment in Africa: Reforms, Results, and the Road Ahead*. Oxford: Oxford University Press, p. 7 (emphasis added).

¹⁷⁹ World Bank (1992). *World Development Report*. New York: Oxford University Press, pp. 68-69.

¹⁸⁰ The disappointing results for SAPs is only one important factor which should be taken into account to explain the poor performance of Sub-Saharan African countries. Other factors include the continuing weakening of primary commodity and agricultural prices, high population growth, lack of foreign investment, and so on.

Table 2.6: Comparison of GNP Per Capita Change in Sub-Saharan Africa and Southeast Asia, 1984-1994

Country	1984 GNP Per Capita in USD	1994 GNP Per Capita in USD	(I)ncrease, (D)ecrease, (S)ame
Benin	310	410	I
Burundi	280	210	D
Cameroon	890	820	D
Cape Verde	350	850	I
Central African Republic	310	410	I
Comoros	340	510	I
Congo	1180	1030	D
Côte d'Ivoire	950	670	D
Ethiopia	140	110	D
Gambia, The	360	370	I
Ghana	360	450	I
Guinea	310	510	I
Guinea-Bissau	170	220	I
Kenya	390	310	D
Lesotho	510	590	I
Madagascar	320	230	D
Malawi	210	210	S
Mali	180	310	I
Mauritania	470	530	I
Mauritius	1240	2700	I
Niger	310	280	D
Nigeria	860	320	D
Rwanda	260	250	D
Senegal	490	780	I
Sierra Leone	390	170	D
Tanzania	280	110	D
Togo	340	390	I
Uganda	230	170	D
Zimbabwe	850	570	D
China	310	470	I
Indonesia	580	670	I
Korea, Republic of	1910	6790	I
Malaysia	1860	2790	I
Papua New Guinea	820	950	I
Philippines	820	770	D
Solomon Islands	660	710	I
Thailand	790	1840	I

Source: World Bank (1984). *World Development Report*; World Bank (1994). *World Development Report*. New York: Oxford University Press.

Structural adjustment has attracted much criticism.¹⁸¹ Some critics argue that the targeting of services which greatly affect the most disadvantaged are not sustainable politically in the medium- or

¹⁸¹ See, for example, Adepoju, A. (ed) (1993). *The Impact of Structural Adjustment on the Population of Africa: The Implications for Education, Health and Employment*. London: James Currey Ltd.; Caffentzis, C.G. (1993). 'The Fundamental Implications of the Debt Crisis for Social Reproduction in Africa'. In Dalla Costa, M & Dalla Costa, G. (eds). *Paying the Price: Women and the Politics of International Economic Strategy*. London: Zed Books, pp. 15-41; Mehrotra, S. & Jolly, R. (eds). (1997). *Development with a Human Face: Experiences in Social Achievement and Economic Growth*. Oxford: Clarendon Press; Simon, D. (1995). 'Debt, Democracy and Development: Sub-Saharan Africa in the 1990s'. In Simon, D. et al. (eds). *Structurally Adjusted Africa: Poverty, Debt and Basic Needs*. London: Pluto Press, pp. 17-44; Elson, D. (1991). 'Male Bias in Macro-economics: The Case of Structural Adjustment'. In Elson, D. (ed). *Male Bias in the Development Process*. Manchester: Manchester University Press, pp. 164-189; George, S. & Sabelli, F. (1994). *Faith and Credit: The World Bank's Secular*

long-term,¹⁸² while Bello argues that SAPs actually weaken the domestic entrepreneurial groups necessary to the 'supply-side', by 'eliminating protectionist barriers to imports from the North and by lifting restrictions on foreign investment'.¹⁸³ Chossudovsky even goes so far as to accuse the World Bank of having a 'hidden agenda', whereby the 'compression of wages in the Third World and Eastern Europe supports the relocation of economic activity from the rich countries to the poor countries'; in other words, 'the development of a world-wide cheap-labour export economy'.¹⁸⁴

Ponte takes a more pragmatic approach, explaining that the Bank's claims of success must be re-evaluated using its own figures and methodology. His study criticises the inclusion of some countries in Bank calculations, and the exclusion of others. Furthermore, his own calculations adjust the time periods examined, and therefore show the Bank's estimates to be over-optimistic. Importantly, he points out that Bank evaluations exclude vital factors, such as the state of the international economy, terms of trade, price variations, the weather and the initial condition of individual economies.¹⁸⁵

Mosley asserts that although the Bank is quick to explain that each SAL is custom-designed and not a standard 'one-size-fits-all', it is easy to see patterns emerging. After pointing out the many similarities in SAL design, Mosley goes on to explain that there seems to be no rhyme nor reason in the implementation process. Malawi, with a debt-service ratio of 3.2% from 1978-80, received an SAL with very tight conditions attached, while Bolivia, with a ratio of 36.3% in the same time period, received very loose conditions.¹⁸⁶ Moreover, Pakistan complied with 90% of the conditions in its first SAL, but was turned down for a second, while Kenya complied with only 38%, and yet received two additional SALs.¹⁸⁷ Evidence such as this led Mosley to conclude, 'First impressions therefore suggest that the relative bargaining strength of donor and recipient, rather more than considerations of strict economic appropriateness, may have exerted an influence on the World Bank's conditional aid

Empire. London: Penguin Books; Mosley, P. (ed) (1992). *Development Finance and Policy Reform: Essays in Theory and Practice of Conditionality in Less Developed Countries*. London: Macmillan Press Ltd.; Bush, R. (1996). 'The Politics of Food and Starvation'. *Review of African Political Economy*, 23(68), pp. 169-195; Marquette, H. (1998). 'The Role of the World Bank in Promoting Sustainable Development through Family Planning in Sub-Saharan Africa: A Critical Examination'. Unpublished MA dissertation, University of Durham, UK; Lugalla, J. (1995). 'The Impact of Structural Adjustment Policies on Women's and Children's Health in Tanzania'. *Review of African Political Economy*, 22 (63), pp. 43-53.

¹⁸² Chen, L. & Desai, M. (1997). 'Paths to Social Development: Lessons from Case Studies'. In Mehrotra, S. & Jolly, R. (eds). *Development with a Human Face*. Oxford: Clarendon Press, pp. 421-434.

¹⁸³ Bello, W. (1994). *Dark Victory: The United States, Structural Adjustment, and Global Poverty*. London: Pluto Press, p. 5.

¹⁸⁴ Chossudovsky, M. (1997). *The Globalisation of Poverty: Impacts of IMF and World Bank Reforms*. London: Zed Books Ltd., p. 76.

¹⁸⁵ Ponte, S. (1994). 'The World Bank and "Adjustment in Africa"'. *Review of African Political Economy*, 66, pp. 539-558.

¹⁸⁶ This is the ratio that compares debt service payment proportionate to export earnings, reflecting the ability to service debt.

¹⁸⁷ Mosley (1987). 'Conditionality as Bargaining Process: Structural Adjustment Lending, 1980-86'. *Essays in International Finance*, No. 168, October. Princeton: Princeton University Press, pp. 8-9, 21.

programmes'.¹⁸⁸ In other words, those Borrowers who need the money the most may be in a weaker overall bargaining position, regardless of compliance with conditions..¹⁸⁹

What many critics of SAPs point out, either implicitly or explicitly, is that it is an imposition of economic and political conditions upon a recipient of a loan by the donor, and that the relationship between the two parties is inherently unequal. Its goals can be contradictory when applied across countries,¹⁹⁰ and often implemented as if in a vacuum, with one set of rules applying to poor countries and another for the rich. As Bromley points out, 'Since the neo-liberal discourse assumes away any specific problems of *development*, it naturally argues for a position wherein all the policy adjustment lies on the side of the developing countries, in their conforming to the "realities" of the world market'.¹⁹¹ In their criticism of The Berg Report, Sender and Smith state that the most obvious problem is that adjustment does not deal with Africa's political conflicts, wars and class realities. It instead assumes that state intervention in the economy has been based on ignorance and the errors of African bureaucrats.¹⁹²

The failure of adjustment led donor agencies, and in particular the World Bank, to conclude that factors in governance, and not just economic errors, on the part of recipients were to blame and that future lending would need to take governance into account in order to be successful. The 1990s saw a complete rethinking of the role of the state in the development process, and an introduction of political conditions into donor agendas, in addition to existing economic ones, rather than a complete rethinking of the use of conditionality in general.

¹⁸⁸ Mosley (1987). 'Conditionality as Bargaining Process', p. 22. Mosley's overall point is supported by others; for example, Kahler, M. (1992). 'External Influence, Conditionality, and the Politics of Adjustment'. In Haggard, S. & Kaufmann, R. (eds). *The Politics of Economic Adjustment*. Princeton: Princeton University Press, pp. 89-136.

¹⁸⁹ Currently, Pakistan has a portfolio with the Bank of fifteen projects totalling \$1.4 billion, whereas Kenya has twelve projects totalling \$662 million. See <http://www.worldbank.org>.

¹⁹⁰ For example, encouraging both Guinea and Brazil to increase their cocoa exports will only drive the price of cocoa down, reducing export earnings for both.

¹⁹¹ Bromley, S. (1995). 'Making Sense of Structural Adjustment'. *Review of African Political Economy*. 65, p. 340 (emphasis in original).

¹⁹² Sender, J. & Smith, S. (1984). 'What's Right with the Berg Report and What's Left of Its Critics?'. IDS Discussion Paper, June, pp. 11-12.

Chapter 3: The Path to the World Bank's Anti-Corruption Programme, 1981-1997

Conditionality in aid is not a new phenomenon, and there is extensive literature about it. Different analysts offer different definitions. Nherere defines conditionality as 'the granting, withholding, suspension or reduction of economic aid, or other benefits, being made conditional upon the recipient country's performance against other standards',¹⁹³ whereas Mosley defines it as 'negotiation with the recipient government of a set of changes in economic policy that the recipient must implement in return for a loan or grant'.¹⁹⁴ Gordon refers to conditionality as a set of 'agreements between donors and recipients that exchange financial transfers (either grants or loans) by the donors for policy changes by the recipients'.¹⁹⁵ Karl and Schmitter define it as 'linking specific rewards explicitly to the meeting of specific norms, or even to the selection of specific institutions'.¹⁹⁶ Hewitt and Killick describe it as 'leverage' to achieve policy change.¹⁹⁷ To simplify, conditionality can be defined as a system of rewards and punishments. Funding is received for meeting the donor's objectives, with sanctions applied if the objectives are not met. There are several ways to apply negative sanctions: withholding grants and loans, terminating funds and technical support for projects in progress, restrictions on trade or economic and political sanctions. The innovation in aid in the 1990s, therefore, is not the introduction of conditionality on lending, but rather the increasingly political nature of the conditions themselves.

Robinson explains, 'Political conditionality refers to the linking of aid to administrative and political reform in recipient countries, in the pursuit of what is termed "good governance". There are four components to this: sound economic policies, that is, adherence to market principles and economic openness; competent public administration; open and accountable government; and respect for the rule of law and human rights'.¹⁹⁸ According to Baylies, 'Political conditionality in its broadest sense - with its concerns for human rights, pluralist politics and efficient government - focuses directly on the state in its relationship to society and more importantly, its relationship with the economy'.¹⁹⁹ The main point to remember is that political conditionality specifically links the provision of aid to political

¹⁹³ Nherere, P. (1995). 'Conditionality, Human Rights and Good Governance: a Dialogue of Unequal Partners'. In Ginther, K. et al. (eds). *Sustainable Development and Good Governance*. Dordrecht: Martinus Nijhoff Publishers, p. 289.

¹⁹⁴ Mosley, P. (1987). 'Conditionality as Bargaining Process', p. 1.

¹⁹⁵ Gordon, D. (1992). 'Conditionality in Policy-Based Lending in Africa: USAID Experience'. In Mosley, P. (ed). *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries*. London: Macmillan Press Ltd., p. 25.

¹⁹⁶ Karl, T. & Schmitter, P. (1996). 'Democratisation Around the Globe: Opportunities and Risks'. In Jameson, K. & Wilber, C. (eds). *The Political Economy of Development and Underdevelopment*. New York: McGraw-Hill, Inc., p. 175.

¹⁹⁷ Hewitt, A. & Killick, T. (1996). 'Bilateral Aid Conditionality and Policy Leverage'. In Stokke, O. (ed). *Foreign Aid Towards the Year 2000: Experiences and Challenges*. London: Frank Cass & Co. Ltd., p. 130.

¹⁹⁸ Robinson, M. (1993). 'Aid, Democratisation and Political Conditionality in Sub-Saharan Africa'. In Sørensen, G. (ed). *Political Conditionality*. London: Frank Cass, P. 90.

¹⁹⁹ Baylies, C. (1995). 'Political Conditionality and Democratisation'. *Review of African Political Economy*. 65, p. 324.

reform in recipient countries, and that for donors, the ideas for what constitutes political reform are naturally based largely on Western concepts of liberal democracy.²⁰⁰

The Changing Orthodoxy on Democracy and Development

The relationship between development and democracy has been the subject of much recent debate and is important for understanding the justifications for the Bank's anti-corruption programme. In a recent book, Sandbrook, an expert on democratisation in Africa, provides us with an important caveat: 'In all of this, certainly, we must step carefully, for debates about democracy, development, and globalisation will surely lead us into an ideological minefield'.²⁰¹ Pye also warns that 'Ideologues of the right should...be cautious about proclaiming the victory of capitalism and democracy. It is precisely the relationship between economics and politics that needs to be re-examined in the light of current developments and in a spirit that is as neutral of old ideologies as is possible in a scholarly environment'.²⁰² Kausikan reminds us of 'the common failure to make a critical distinction between democracy as a political theory of legitimisation of government and democracy as a mechanism or instrument of government'.²⁰³ The first he describes as almost universal while the second is more flexible.

In the years following World War II, scholars from both the right and the left tended to agree that democracy was a 'luxury' that followed economic development and would fail in poor countries, with states forced to make a 'cruel choice' between development and democracy.²⁰⁴ In an early and very influential article, Lipset argued that economic development would bring a rise in education, leading to the development of a political culture supportive of democratic practices.²⁰⁵ In other words,

²⁰⁰ There is a significant body of scholarly literature on liberal democracy and on its link to development. Some works of note include Dahl, R. (1971). *Polyarchy: Participation and Opposition*. New Haven: Yale University Press; Schumpeter, J. (1976). *Capitalism, Socialism and Democracy* (5th ed). London: George Allen & Unwin Ltd.; Held, D. (1995). *Democracy and the Global Order*. Stanford: Stanford University Press; Held, D. (ed) (1992). *Political Studies: Prospects for Democracy*. XL(Special Issue); Lipset, S.M. (1959). 'Some Social Requisites of Democracy: Economic Development and Political Legitimacy', *American Political Science Review*, LIII(1), pp. 69-105; Lipset, S.M. (1994). 'The Social Requisites of Democracy Revisited', *American Sociological Science Review*, 59, pp. 1-22; Sandbrook, R. (1988). 'Liberal Democracy in Africa: A Socialist-Revisionist Perspective'. *Canadian Journal of African Studies*, 22(2), pp. 240-267; Sørensen, G. (1998). *Democracy and Democratisation: Processes and Prospects in a Changing World* (2nd ed). Boulder: Westview Press; Pinkney, R. (1993). *Democracy in the Third World*. Buckingham: Open University Press; Leftwich, A. (ed) (1996). *Democracy and Development*. Cambridge: Polity Press; Potter, D. et al. (eds) (1997). *Democratisation*. Milton Keynes: Open University; Diamond, L. & Plattner, M. (eds) (1999). *Democratisation in Africa*. London: The John Hopkins University Press; Robinson, M. & White, G. (eds) (1998). *The Democratic Developmental State: Politics and Institutional Design*. Oxford: Oxford University Press; Ake, C. (1996). *Democracy and Development in Africa*. Washington DC: The Brookings Institution.

²⁰¹ Sandbrook, R. (2000). *Closing the Circle: Democratisation and Development in Africa*. London: Zed Books Ltd., p. 2.

²⁰² Pye, L. (1990). 'Political Science and the Crisis of Authoritarianism'. *American Political Science Review*, 84(1), p. 17, note 4.

²⁰³ Kausikan, B. (1997). 'Governance That Works'. *Journal of Democracy*, 8(2), p. 25.

²⁰⁴ Cited in Maravall, J.M. (1994). 'The Myth of the Authoritarian Advantage'. *Journal of Democracy*, 5(4), p. 18. Original: Kohli, A. (1986). 'Democracy and Development'. In Lewis, J. & Kallab, V. (eds). *Development Strategies Reconsidered*. Washington DC: Overseas Development Council, p. 156.

²⁰⁵ Lipset, S.M. (1959). 'Some Social Requisites of Democracy', p. 79.

'The more well-to-do a nation, the greater the chances that it will sustain democracy'.²⁰⁶ Along with higher education levels, he also believed that increased levels of urbanisation, high literacy rates, increased wealth, a higher national income, strong civil society and an effective and legitimate political system²⁰⁷ were essential for the emergence of a democratic polity.²⁰⁸ Therefore, 'Given the existence of poverty-stricken masses, low levels of education, an elongated, pyramid class structure, and the "premature" triumph of the democratic left, the prognosis for the perpetuation of political democracy in Asia and Africa is bleak'.²⁰⁹

In an equally influential historical study, Moore concluded that there are three routes to modern society: a bourgeois revolution that leads to capitalist democracy (England, France, US); a revolution from above that leads to capitalist fascism (Germany, Japan); and a peasant revolution that leads to communism (Russia, China).²¹⁰ Although capitalism plays a role in the first two paths of modernisation, it only leads to democracy in one, and in historical examples, capitalism always precedes democracy. Rustow concurred, arguing that neither democracy nor communism were applicable for developing countries because a certain level of modernity was required for both.²¹¹ Picking up Moore's thread on the role of capitalism, Friedman pointed out that, 'History suggests only that capitalism is a necessary condition for political freedom...It is therefore clearly possible to have economic arrangements that are fundamentally capitalist and political arrangements that are not free [e.g., Italy, Germany, Japan, Spain under Franco]'.²¹²

Huntington argued that 'rapid social change and the rapid mobilization of new groups into politics coupled with the slow development of political institutions' would lead to inevitable instability and an environment not conducive to democracy.²¹³ To Huntington, stability was more important than democracy because it facilitated political institutionalisation. If an authoritarian regime could bring both economic development and stability, then it was preferable to unstable democracy. Finally, Rawls did not believe that liberty could be maximised at low-income levels, adding the caveat that, '[t]he

²⁰⁶ Lipset, S.M. (1981). *Political Man: The Social Bases of Politics*. Orig. 1959. Baltimore: The John Hopkins University Press, p. 31.

²⁰⁷ Lipset explained that this is the 'capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate or proper ones for the society'. Lipset, S.M. (1959). 'Some Social Requisites of Democracy', p. 86.

²⁰⁸ Lipset, S.M. (1959). 'Some Social Requisites of Democracy', pp. 79-86.

²⁰⁹ Lipset, S.M. (1959). 'Some Social Requisites of Democracy', p. 101. Interestingly, Lipset revisited his 1959 article in 1994 and reached similar conclusions. The 1994 article is more ideological though, with democracy clearly labelled 'desirable' and not just as the product of modernisation. This perhaps reflects the changing orthodoxy of the times. Lipset, S.M. (1994). 'The Social Requisites of Democracy revisited'. *American Sociological Review*. 59(1), pp. 1-22.

²¹⁰ Moore, B. Jr. (1966). *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*. London: Penguin University Books, pp. 413-414.

²¹¹ Rustow, D. (1967). *A World of Nations: Problems of Political Modernisation*. Washington DC: The Brookings Institutions, p. 104.

²¹² Friedman, M. (1962). *Capitalism and Freedom*. Chicago: The University of Chicago Press, p. 10. Friedman here is arguing against socialism and not necessarily for democracy.

²¹³ Huntington, S. (1968). *Political Order in Changing Societies*, New Haven: Yale University Press, p. 4. For a similar argument, see Przeworski, A. & Limongi, F. (1995). 'Political Regimes and Economic Growth'. In Bagchi, A.K. (ed). *Democracy and Development: Proceedings of the IEA Conference held in Barcelona, Spain*. London: Macmillan Press Ltd./International Economic Association, p. 4.

denial of equal liberty can be accepted only if it is necessary to enhance the quality of civilisation so that in due course the equal freedoms can be enjoyed by all'.²¹⁴

The advent of SAPs in the 1980s brought economists to the forefront of this debate. They often argued that the economic liberalisation taking place required a strong and autonomous state to implement policies that would most likely prove unpopular in the short-term, a risk democracies could do without.²¹⁵ Scholars such as Rao²¹⁶ and Lal²¹⁷ argued that economic development would indeed have to precede democracy, especially in the context of the promotion of neo-liberal policies, and suggested that, 'A courageous, ruthless and perhaps undemocratic government is required to ride roughshod over these newly-created special interest groups' who might undermine the process of liberalisation.²¹⁸ This was fully accepted by the World Bank and other proponents of adjustment until the end of the Cold War.

In the early 1980s, a number of liberal scholars, mostly located in the US, took a fresh look at Kant's principle of perpetual peace,²¹⁹ arguing that democracies do not go to war against each other because of institutional constraints (elections/checks and balances) and shared democratic norms and culture. They do, however, go to war against non-democracies.²²⁰ The Reagan administration jumped upon this new 'democratic peace theory'. According to Doyle, 'In a speech before the British parliament in June of 1982, President Reagan proclaimed that governments founded on a respect for individual liberty exercise "restraint" and "peaceful intentions" in their foreign policy. He then announced a "crusade for freedom" and a "campaign for democratic development"'.²²¹ In his 1994 State of the Union address, President Clinton also asserted, 'Ultimately, the best strategy to ensure our security and to build a durable peace is to support the advance of democracy elsewhere. Democracies do not attack each other. They make better trading partners, and partners in diplomacy.'²²² The belief

²¹⁴ Cited in Frohock, F. & Sylvan, D. (1983). 'Liberty, Economics and Evidence'. *Political Studies*. XXXI(4), pp. 543. Original: Rawls, J. (1973). *A Theory of Justice*. Oxford: Oxford University Press, p. 542.

²¹⁵ In this context, Cold War scholars made the distinction between capitalist/authoritarian regimes (i.e., the South) and communist/totalitarian regimes (i.e., the East). See Karl, T. & Schmitter, P. (1996). 'Democratisation Around the Globe: Opportunities and Risks'. In Jameson, K. & Wilber, C. (eds). *The Political Economy of Development and Underdevelopment*. 6th ed. New York: McGraw-Hill, Inc., pp. 170-171. This distinction is important in that the major proponents of this hypothesis came from the right. For example, referring to the NICs, Huntington spoke of 'the need...to generalise from the East Asian experience and derive from that experience a development model of a society that is authoritarian, stable, economically dynamic, and equitable in its income distribution'. Huntington, S. (1987). 'The Goals of Development'. In Weiner, M. and Huntington, S. (eds). *Understanding Political Development*. Boston: Little, Brown, pp. 25-26. I am grateful to Dr. Anna Dickson for this point.

²¹⁶ Rao, V. (1984-85). 'Democracy and Economic Development'. *Studies in Comparative International Development*. XIX(4), pp. 67-81.

²¹⁷ Lal, D. (1983). *The Poverty of 'Development Economics'*. Hobart Paperback No. 16. London: Institute of Economic Affairs.

²¹⁸ Lal, D. (1983). *The Poverty of 'Development Economics'*, p. 33.

²¹⁹ Kant, I. (1891). *Kant's Principles of Politics including his Essay on Perpetual Peace*. Orig. 1795. Ed. & tr. by Hastie, W. Edinburgh: T & T Clark.

²²⁰ See Doyle, M. (1983). 'Kant, Liberal Legacies, and Foreign Affairs, Part 1'. *Philosophy and Public Affairs*. 12(3), pp. 205-235; Doyle, M. (1983). 'Kant, Liberal Legacies, and Foreign Affairs, Part 2'. *Philosophy and Public Affairs*. 12(4), pp. 323-353; Doyle, M. (1986). 'Liberalism and World Politics'. *American Political Science Review*. 80(4), pp. 1151-1169; Oneal, J. & Russett, B. (1999). 'The Kantian Peace: The Pacific Benefits of Democracy, Interdependence, and International Organisations, 1885-1992'. *World Politics*. 52(1), pp. 1-37; Weart, S. (1998). *Never at War: Why Democracies Will Not Fight One Another*. New Haven: Yale University Press.

²²¹ Cited in Doyle, M. (1986). 'Liberalism and World Politics', p. 1151.

²²² Cited in USAID (1999). *Center Report on Assistance for Democratic Development*. Washington DC: USAID-

that liberal democracy is the ultimate achievement of mankind and ensures the best hope for peace was famously expounded by Fukuyama in his *End of History and the Last Man*.²²³

There are many critics of democratic peace theory, who question both the theoretical framework and the empirical work done to support it.²²⁴ Zakaria asked: does the American Civil War count? What has been the role of nuclear weapons? At what point in time did these democracies come into existence? With so few democracies throughout modern history, is it just a statistical luck of the draw?²²⁵ Layne used four comparative historical case studies to show that it was realism that prevailed, and not liberalism. Indeed, 'It is only intellectual suppleness – the continual tinkering with definitions and categories – that allows democratic peace theorists to deny that democratic states have fought each other', using the examples of the War of 1812, the US Civil War and World War I.²²⁶

Layne points out that '[p]olicymakers who have embraced democratic peace theory see a crucial link between America's security and the spread of democracy, which is viewed as the antidote that will prevent future wars'.²²⁷ Walt reflects, 'Because the idea of a democratic peace is so flattering to our own values, we may embrace it even when the evidence is ambiguous and its long-term validity uncertain'.²²⁸ Even proponents of democratic peace theory, such as Doyle and Russett, question how policymakers have interpreted their findings, justifying the use of force to 'encourage' democracy in the Third World. Nonetheless, many on the right argued for support for the spread of democracy through aid (or by force). This, of course, had a profound impact on how the right also saw the relationship between democracy and development.

This changing orthodoxy turned the discourse on its head. Using a series of complex (and not so complex) econometric calculations, economists have worked to prove that democracies are in fact better at generating economic growth.²²⁹ Gillies announced, '[T]here is a growing appreciation that fostering democratic processes in government and society contributes to economic development by releasing creative energies, enhancing accountability and deepening participation. Development agencies, including the World Bank, must therefore go beyond poverty alleviation (often equated with

CDG, p. 3.

²²³ Fukuyama, F. (1992). *The End of History and the Last Man*. London: Penguin Books Ltd. Based on his original article of 1989, 'The End of History?'. *The National Interest*. 16(Summer), pp. 3-18.

²²⁴ For an interesting statistical analysis to show its empirical flaws, see Spiro, D. (1994). 'The Insignificance of the Liberal Peace'. *International Security*. 19(2), pp. 50-86.

²²⁵ Zakaria, F. (1997). 'Illiberal Democracy'. *Foreign Affairs*. 76(6), p. 36. See also, Walt, S. (1999). 'Never Say Never: Wishful Thinking on Democracy and War'. *Foreign Affairs*. 78(1), pp. 146-151.

²²⁶ Layne, C. (1994). 'Kant or Cant: The Myth of the Democratic Peace'. *International Security*. 19(2), p. 40. To illustrate this point, Doyle disregards the War of 1812 because he only considers Britain a democracy from 1832, when suffrage was extended. However, *de facto* suffrage in the US at the time was no greater.

²²⁷ Layne, C. (1994). 'Kant or Cant', p. 5.

²²⁸ Walt, S. (1999). 'Never Say Never', p. 146.

²²⁹ O'Donnell writes of the 'overshadowing' of political scientists in this field by economists, 'often "leveraged" by jobs in international financial institutions', but clearly sees no problem with this situation, instead focusing his criticism on the lack of an effective typology of democracy for econometric research. O'Donnell, G. (1995). 'Do Economists Know Best?'. *Journal of Democracy*. 6(1), pp. 23-28.

social and economic rights) to embrace issues of empowerment and participation – the essence of civil and political rights'.²³⁰

Most of the literature on democracy and development appears both very ideological and full of assumptions.²³¹ In the section, 'Rethinking the State', the 1991 *World Development Report* reveals that, 'Political and civil liberties are not, contrary to a once-popular view, inconsistent with economic growth'.²³² There is little evidence provided, however, to support this view. Klitgaard attempts to provide it in a study in which he concludes that 'politically open societies' had annual per capita growth of 2.5% compared to 1.4% for 'politically closed societies' for the period 1973-80, findings he describes as 'striking'.²³³ His methodology is remarkably simplistic and he does acknowledge its limitations, but 'many variables we would want to include are simply not available'.²³⁴ Similar work has been done by Knack and Keefer, individually or in partnership, focusing on democratic notions of institutions and social capital and the relationship with growth.²³⁵ In a recent study, a link is drawn between levels of prosperity and levels of liberty. Eighty-one 'unfree' economies have an average per capita income of \$2,800, while seventy-four 'free' economies have an average per capita income of \$21,200.²³⁶ Hence, the authors conclude that more freedom equals more prosperity.²³⁷ Although the focus here is economic freedom and not political freedom, the methodology is essentially the same and draws the same conclusion, disregarding all political and historical factors, and also the essential economic fact that average per capita income is not a measure of distribution or prosperity.

²³⁰ Gillies, D. (1996). 'Human Rights, Democracy and Good Governance: Stretching the World Bank's Policy Frontiers'. In Griesgraber, J. & Gunter, B. (eds). *The World Bank: Lending on a Global Scale*. London: Pluto Press, pp. 109-110. This is despite the fact that the evidence from established democracies in the developing world, such as India and Jamaica, shows that democracy does not necessarily lead to popular participation. Socio-economic factors, such as wealth and education, are the big determining factors. See Robinson, M. (1998). 'Democracy, Participation, and Public Policy: The Politics of Institutional Design'. In Robinson, M. & White, G. (eds). *The Democratic Developmental State: Politics and Institutional Design*. Oxford: Oxford University Press, pp. 190-181.

²³¹ A comparison could be drawn between this work by economists trying to prove that democracy is indeed good for economic growth and work done by Biblical archaeologists who use the Bible to interpret findings, rather than the other way around, as is the norm.

²³² World Bank (1991). *World Development Report 1991*. Oxford: Oxford University Press, p. 4.

²³³ Klitgaard, R. (1994). 'Do Better Politics Have Higher Economic Growth?'. IRIS Working Paper No. 113, June, p. 6. The data Klitgaard uses is found in Scully, G. (1992). *Constitutional Environments and Economic Growth*. Princeton: Princeton University Press, p. 176.

²³⁴ Klitgaard, R. (1994). 'Do Better Politics Have Higher Economic Growth?', p. 8.

²³⁵ Knack and Keefer both work in the World Bank's research department. See Knack, S. & Keefer, P. (1997). 'Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation'. *Economic Inquiry*. XXXV(July), pp. 590-602; Keefer, P. (1993). 'Checks and Balances, Rent-Seeking and Economic Development'. IRIS Working Paper No. 29. College Park, MD: IRIS; Knack, S. & Keefer, P. (1995). 'Institutions and Economic Performance: Cross Country Tests Using Alternative Institutional Measures'. *Economics and Politics*. 7(3), pp. 207-227; Knack, S. & Keefer, P. (1997). 'Does Social Capital Have an Economic Payoff? A Country Investigation'. IRIS Working Paper No. 197. College Park, MD: IRIS.

²³⁶ Measures of freedom include banking and finance, capital flows and foreign investment, monetary policy, the fiscal burden of government, trade policy, wages and prices, government intervention in the economy, property rights, regulation, and black markets.

²³⁷ Driscoll, G. Jr., Holmes, K. & Kirkpatrick, M. (2000). 'Who's Free, Who's Not: The difference between prosperity and poverty is liberty'. *Wall Street Journal*. 1 November. See also, Heritage Foundation (2000). 'Global Economic Freedom Continues to Gain, Survey Shows'. *The Heritage Foundation News*, 1 November; Driscoll, G. Jr., Holmes, K. & Kirkpatrick, M. (2000). *2001 Index of Economic Freedom*. Washington DC: Heritage Foundation & the Wall Street Journal.

The non-political nature so characteristic of this kind of economic work is the key to understanding the Bank’s anti-corruption programme. Regime type, all important in earlier discussions of democracy and development, became irrelevant. Autonomy of the decision-making processes are important, not the regime, and importantly, ‘Authoritarianism is neither necessary nor sufficient for this insulation’.²³⁸ The state here becomes an efficient manager for development: a naïve vision of Weber’s bureaucratic administrative state that excludes political considerations.²³⁹ Donors only insist it must be capitalist but prefer it is democratic.

Table 3.1: Democracy: Does it promote or impede economic development?

	Democracy impedes economic development	Democracy can promote economic development
Economic reasons	Democracy is unable to reduce consumption in favour of investment. Thus, economic growth suffers.	Democratic investment in basic human needs is good for economic growth.
Political reasons	Democracy increases the pressure on weak institutions. Concerted state action is more difficult. The state is weak.	Democracy provides a stable political environment and the basis for economic pluralism. Democracy means legitimacy. A strong state is often also a democratic state.

Source: Sørensen, G. (1991). *Democracy, Dictatorship and Development: Economic Development in Selected Regimes of the Third World*. London: Macmillan Press Ltd., p. 68.

Sørensen summarised the four main arguments for democracy as a pre-condition of economic growth:

- Public expenditure on health and education increases human capital and is more likely to be supported by a democratic government.
- Democracy provides the stability to support investment.
- Civil and political liberties allow citizens to pursue economic growth.
- A strong state does not have to be an authoritarian one.²⁴⁰

The problem for the World Bank is not that these arguments are completely incorrect, but rather that for every example that proves it, there is another that disputes it. Cuba scores highly on health and education indicators. Democratic regimes in Sub-Saharan Africa lack both stability and investment. High levels of economic growth in Southeast Asia have often allegedly depended upon the restriction of civil and political liberties. Finally, a strong state does not have to be an authoritarian one, but then it

²³⁸ Bardhan, P. (1990). ‘Symposium on the State and Economic Development’. *Journal of Economic Perspectives*. 4(3), p. 5.
²³⁹ See Weber, M. (1964). *The Theory of Social and Economic Organisations*. Tr. by Henderson, A.M. & Parsons, T. New York: The Free Press. Ironically, Weber said, ‘It is completely ridiculous to attribute to today’s advanced capitalism an elective affinity with “democracy” not to mention “freedom” (in any meaning of the word).’ Cited in Rueschemeyer, D., Stephens, E. & Stephens, J. (1992). *Capitalist Development and Democracy*. Cambridge: Polity Press, p. 21. Original: Weber, M. (1906). ‘Zur Lage der bürgerlichen Demokratie in Russland’. *Archiv für Sozialwissenschaft und Sozialpolitik*. N.S. 22, p. 347.

does not have to be democratic either. Much work has gone into proving that authoritarian governments are no better for development than democratic ones. The World Bank claimed that the evidence on regime type does not show that liberal democracy spurs growth but it does not hinder it either. Authoritarian regimes do not, on average, spur growth either. In addition, democracies tend to be associated with better health and education indicators.²⁴¹ Maravall criticised earlier writers, explaining that a move from emphasising the accumulation of investment, an area where authoritarian regimes are thought to have a distinct advantage over democracies, to the productivity of investment, where the advantage is with democracies, disproves the 'pro-authoritarian' thesis.²⁴²

The majority of work in this area tends to follow these same lines. Definitions of both democracy and authoritarianism tend to either be narrow or broad in the extreme, rendering both worthless. For example, Przeworski et al. define democracy as 'a regime in which those who govern are selected through contested election', and authoritarian regimes are simply 'not democracies'.²⁴³ This over-simplified notion of democracy makes their conclusions problematic. They argue, 'democracies are more likely to be found in the more highly developed countries. Yet the reason is not that democracies are more likely to emerge when countries develop under authoritarianism, but that, however they do emerge, they are more likely to survive in countries that are already developed'.²⁴⁴ If authoritarianism is simply anything that is not a democracy, would not all countries be authoritarian before democracy emerges? And if democracy is more likely to survive in economically developed countries, should not the conclusion be that authoritarianism is better for economic development? The authors can be criticised for concluding prematurely that the debate has been 'much ado about nothing' and that 'we did not find a shred of evidence that democracy need be sacrificed on the alter of development'.²⁴⁵

Their evidence as presented is rather tenuous as well. They dispute Marx's claim that 'private property and universal suffrage are incompatible',²⁴⁶ instead claiming that although most dictators protect private property, so do most democracies.²⁴⁷ This does not really prove that democracy is better, but that a fundamental part of capitalism is the protection of private property, regardless of regime. As far as economic growth is concerned, they show that although total income and consumption grew faster for authoritarian regimes, per capita income and consumption grew faster for democracies (see

²⁴⁰ Sørensen, G. (1991). *Democracy, Dictatorship and Development*, pp. 66-67.

²⁴¹ World Bank (1991). *World Development Report 1991*, pp. 9-10.

²⁴² Maravall, J.M. (1994). 'The Myth of the Authoritarian Advantage', p. 19.

²⁴³ Przeworski, A., Alvarez, M., Cheibub, J.A. & Limongi, F. (2000). *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990*. Cambridge: Cambridge University Press, p. 18.

²⁴⁴ Przeworski, A. et al. (2000). *Democracy and Development*, p. 106.

²⁴⁵ Clearly there are pre-existing moral judgements at work here about the value of democracy itself. Przeworski, A. et al. (2000). *Democracy and Development*, pp. 178, 271.

²⁴⁶ Cited in Przeworski, A. et al. (2000). *Democracy and Development*, p. 210. Original: Marx, K. (1952). *The Class Struggle in France, 1848 to 1850*. Moscow: Progress Publishers, p. 62. In a different text, Przeworski also contradicts Marx's theory on the Bonapartist dictatorship, arguing instead that in capitalist democracies, democracy protects capitalists' interests through participation. Przeworski, A. (1985). *Capitalism and Social Democracy*. Cambridge: Cambridge University Press, pp. 142-143. See Marx, K. (1934). *The Eighteenth Brumaire of Louis Bonaparte*. Moscow: Progress Publishers.

²⁴⁷ Przeworski, A. et al. (2000). *Democracy and Development*, p. 211.

Table 3.2). The authors argue that significance of this is that well-being,²⁴⁸ the ultimate goal of development for the authors, depends on the individual so per capita measurements are more indicative than the total. However, per capita figures do not explain issues of equality and distribution and have long been discarded by many scholars of development as an adequate measurement of well-being. Total income and consumption are similarly flawed measurements which do not take into account population size. It is rarely used in this fashion because of this.²⁴⁹

Table 3.2: Growth of Income and Consumption under Different Regimes (in percentage)

Total Income		Total Consumption		Per Capita Income		Per capita Consumption	
Auth.	Demo.	Auth.	Demo.	Auth.	Demo.	Auth.	Demo.
4.42	4.24	3.95	3.92	2.00	2.46	1.82	2.43

Source: Przeworski, A. et al. (2000). *Democracy and Development* p. 216.

The authors' results are entirely dependent upon how they define regime types and how individual countries are classified during specific time periods. Although their classification system is well-presented, it is not without controversy. To illustrate, Botswana is considered a 'Bureaucracy', a form of authoritarianism, throughout the period because elections may be contested but are very predictable. Unpredictability, for the authors, is key to ensuring fair elections. The assumption is that in a predictable election, voters do not vote for the opposition in order to avoid having a 'wasted' vote. Another example is India, a democracy throughout the period, despite its state of emergency in the mid-1970s, even though this sort of 'blip' is taken into account in other cases.

Przeworski et al. should not be singled out for criticism for their simplistic and flawed methodology. In an earlier work by Przeworski and Limongi, they questioned studies of the relationship between democracy and development between 1966 and 1992. Prior to 1988, eight of the eleven studies found in favour of authoritarianism. After 1988, none of the nine studies did. According to the authors, '...since this difference does not seem attributable to samples or periods, one can only wonder about the relation between statistics and ideology'.²⁵⁰ As White points out, 'there has been a tendency to use empirical data like the proverbial drunk uses the lamp-post – for support rather than illumination'.²⁵¹ Earlier work, such as that by Dick, announced that the data does not show that 'authoritarian governments perform better than competitive governments do in the earliest stages of

²⁴⁸ The use of 'well-being' rather than economic growth is of great significance. Traditionally, development has been measured in terms of economic growth, but a growing number of scholars argue that economic growth is not sufficient because it does not measure factors such as income distribution. This argument culminated in the annual publication of the UN's 'Human Development Index', which measures growth, in addition to factors such as literacy and infant mortality rates. Although there is a great deal to be said for this alternative view of development, the World Bank sticks to the orthodox measurements of growth and only pays lip service to this notion of 'well-being'.

²⁴⁹ For example, if China's total income in 1998 was \$928.9 billion and Ireland's total income was \$67.5 billion, it appears that China is significantly wealthier than Ireland. However, with a Chinese population totalling over 1.2 billion and an Irish population of only four million, per capita incomes are \$750 and \$18,340, respectively, telling a different story entirely. I am grateful to Dr. Mark Aspinwall for clarification here. Income figures from World Bank (2000). *World Development Report 1999/2000*. Oxford: Oxford University Press, pp. 230-231.

²⁵⁰ Przeworski, A. & Limongi, F. (1995). 'Political Regimes and Economic Growth', pp. 11-12. One can only guess at how the authors' views changed so dramatically from 1995 to 2000.

²⁵¹ White, G. (1998). 'Constructing a Democratic Developmental State'. In Robinson, M. & White, G. (eds). *The*

development',²⁵² relying on ahistorical, simplistic methodology. Even those scholars whose methodology is much more impressive, such as Dasgupta,²⁵³ fail to conclusively prove that a democratic regime is indeed a more effective facilitator of economic growth, believed to be essential for development by the World Bank.²⁵⁴ Instead there is merely the belief that democracy is a better, more moral system of government, and this belief seems to drive the research.²⁵⁵

One of the most important recent scholars in this field is Larry Diamond, editor of the *Journal of Democracy* and co-director the National Endowment for Democracy's International Forum for Democratic Studies, a conservative US think-tank. Diamond does not dispute the work done by Lipset and others, but argues instead that the 'globalisation of democracy' in recent years may have weakened the earlier causal relationship between economic development and democracy.²⁵⁶ Indeed, it is no longer economic growth that is important but the resultant socio-economic changes that economic growth can bring about. Human Development Index (HDI) indicators, such as improved water, education, health and security, 'better predict the presence and degree of democracy than does the level of per capita national wealth'.²⁵⁷ He further argues that economic development is not a *prerequisite* for democracy as long as the appropriate 'civic culture'²⁵⁸ is established, that 'emphasize[s] tolerance, inclusion, participation, and accommodation'.²⁵⁹ Because of this, his policy recommendations for donors includes focusing on basic human needs, improving institutions and empowering civic society,²⁶⁰ all of which have been taken up by the World Bank in recent years.

According to Leftwich,

[T]his general view about the developmental efficacy of democracy appears to assume that there are no tensions between the many goals of development such as growth, democracy, stability, equality and autonomy. Furthermore, the new orthodoxy implies that democracy can be inserted and instituted at almost any stage in the developmental process of any society - whether Rwanda or Russia, Chile or China - irrespective of its

Democratic Developmental State: Politics and Institutional Design. Oxford: Oxford University Press, p. 22.

²⁵² Dick, G.W. (1974). 'Authoritarian versus Non-authoritarian Approaches to Economic Development'. *Journal of Political Economy*. 82(4), pp. 822-823.

²⁵³ Dasgupta, P. (1993). *An Inquiry into Well-Being and Destitution*. Oxford: Clarendon Press.

²⁵⁴ The basic assumption that underpins the Bank's work is that economic growth is essential for development, and has been held by the Bank since its inception, despite various manifestations within its development philosophy. Despite recent in-house criticism of this approach, as well as extensive outside criticism, the Bank stands by the assumption that growth is essential for development.

²⁵⁵ A clear example of this is Ake, who presents a paradigm of development in which development equals human well-being, rather than economic growth, and in which democracy is vital for human well-being. See Ake, C. (1996). *Democracy and Development in Africa*. Washington DC: The Brookings Institution, especially Chapter 5. Dasgupta's argument is similar.

²⁵⁶ Diamond, L. (1992). 'Economic Development and Democracy Reconsidered'. *American Behavioral Scientist*. 36(4/5), p. 460.

²⁵⁷ Diamond, L. (1992). 'Economic Development and Democracy Reconsidered', p. 486.

²⁵⁸ He refers here to the landmark study by Almond and Verba. See Almond, G. & Verba, S. (1963). *The Civic Culture: Political Attitudes and Democracy in Five Nations*. Princeton: Princeton University Press.

²⁵⁹ Diamond, L. (1992). 'Economic Development and Democracy Reconsidered', p. 487.

²⁶⁰ Diamond, L. (1992). 'Economic Development and Democracy Reconsidered', p. 488.

social structure, economic condition, political traditions and external relations, and that it will enhance development.²⁶¹

Saul accuses Diamond and friends as 'marketing almost pure ideology', with work that neglects the negative impact of capitalism in Africa and the role of the state in the NICs.²⁶² Looking at the new orthodoxy, Dickson states,

It is astonishing that this assumption can be made for the Third World when there is practically no empirical basis for it. The states which have been the most successful in World Bank economic terms are those which have tightly managed the economy – South Korea, Singapore – without democracy. Those countries which have remained democratic throughout their post-colonial history – the ex-British Caribbean, India – are not models of economic development.²⁶³

As a matter of fact, these ideological proponents of democracy have little explanation for the success of the newly-industrialised countries (NICs) in East and South-east Asia, which have achieved remarkable economic growth rates under largely authoritarian regimes.²⁶⁴ Having said that, there is a strong sense of discomfort even among those who argue that autonomous, authoritarian governments are part of the reason these countries have been successful. Haggard writes,

If a link does exist between authoritarianism and economic development, it should operate through the ability of authoritarian governments to pursue growth-promoting policies that would not be possible under democratic auspices. Crucial policy reforms in the NICs have historically been associated with authoritarian rule; any assessment of the NICs must weigh this high cost of 'success'. Nonetheless, important caveats, qualifications, and objections must be addressed. There are no theoretical reasons to think that authoritarian regimes are *uniquely* capable of solving the collective-action problems associated with development. This absence provides hope that newly

²⁶¹ Leftwich, A. (1996), 'On the Primacy of Politics in Development'. In Leftwich, A. (ed). *Democracy and Development*. Cambridge: Polity Press, p. 4.

²⁶² Saul, J. (1997). "'For Fear of Being Condemned as Old Fashioned": Liberal Democracy vs. Popular Democracy in Sub-Saharan Africa'. *Review of African Political Economy* 24(73), p. 341.

²⁶³ Dickson, A. (1997). *Development and International Relations: A Critical Introduction*. Cambridge: Polity Press, p. 140. Leftwich adds to this list: Malaysia, Botswana, Taiwan, Indonesia, China and Thailand.

²⁶⁴ There is not room in this thesis for an in-depth treatment of the NIC paradox, but excellent discussions can be found in Haggard, S. (1990). *Pathways from the Periphery: The Politics of Growth in the Newly Industrialising Countries*. Ithaca: Cornell University Press; Moran, J. (1999). 'Patterns of Corruption and Development in East Asia'. *Third World Quarterly*. 20(3), pp. 569-587; Moon, C. & Kim, Y. (1996). 'A Circle of Paradox: Development, Politics and Democracy in South Korea'. In Leftwich, A. (ed). *Democracy and Development: Theory and Practice*. Cambridge: Polity Press, pp. 137-167; Gills, B. (1993). 'Korean Capitalism and Democracy'. In Gills, B., Rocamora, J. & Willson, R. (eds). *Low-Intensity Democracy: Political Power in the New World Order*. London: Pluto Press, pp. 226-257. Prior to the late 1990s financial crisis, the World Bank argued that developing countries should model themselves on the East Asian model. See World Bank (1993). *The East Asian Miracle: Economic Growth and Public Policy*. Oxford: Oxford University Press. The financial crisis changed this, which the Bank blamed, in part, on an invasive and corrupt state. See, for example, Claessens, C. & Glaessner, T. (1997). *Are Financial Sector Weaknesses Undermining the East Asian Miracle?*. Washington DC: World Bank.

democratising countries will develop institutions conducive to both political liberty and economic growth.²⁶⁵

Sandbrook and Oelbaum ask, is democratisation “‘a gamble worth taking, not only for its intrinsic value as a defence against tyranny but for its instrumental value in institutional change and improved value? Or is democracy another false start in poor countries attempting costly economic reforms?’”²⁶⁶ Referring both to Hitler and to the NICs, Wintrobe says, ‘This threat – namely, that an authoritarian, cohesive, organised, and disciplined society is capable of levels of economic performance that are simply impossible in a democracy – is the spectre that haunts democracy’.²⁶⁷

This has created a significant dilemma for the left. Even those who do not subscribe to the changing orthodoxy have trouble prescribing authoritarianism for developing countries, given the potential implications for civil and political liberties. Instead, some critics on the left have argued that the evidence merely points to the existence of what has been called ‘developmental states’, a phrase coined by Chalmers Johnson in his seminal work on Japan, or a ‘state-guided market system’.²⁶⁸ The developmental state, as defined by Leftwich, is one ‘whose internal politics and external relations have served to concentrate sufficient power, authority, autonomy, competence and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions of economic growth, or by organising it directly, or a varying combination of both.’²⁶⁹ This state could be democratic or it could be authoritarian, but it has to be strong. He further indicates seven features of successful developmental state: (1) *de facto* or *de jure* one-party states; (2) relatively uncorrupt elites; (3) relatively autonomous elites; (4) powerful and competent bureaucracy; (5) weak civil society; (6) the nature of the state established early on; and (7) unpleasant from a liberal or socialist point of view because of restrictions on civil and political liberties.²⁷⁰ White believes that the strength of the developmental state is its ability to deal with its internal issues (such as class); its politico-administrative capacity, helpful for spreading ideology and formulating and implementing policy; and the autonomy of its ‘specific modes of involvement of state organisations in social and economic processes to further industrialisation,’ such as regulation, institutions and infrastructure.²⁷¹

²⁶⁵ Haggard, S. (1990). *Pathways from the Periphery*, pp. 255-256.

²⁶⁶ Cited in Doig, A. (2000). ‘In the State We Trust? Democratisation, Corruption and Development’. In Doig, A. & Theobald, R. (eds). *Corruption and Democratisation*. London: Frank Cass & Co. Ltd., p. 13. Original: Sandbrook, R. & Oelbaum, J. (1997). ‘Reforming Dysfunctional Institutions Through Democratisation? Reflections on Ghana’. *Journal of Modern African Studies*. 35(4), p. 608.

²⁶⁷ Wintrobe, R. (1998). *The Political Economy of Dictatorship*. Cambridge: Cambridge University Press, p. 128.

²⁶⁸ Johnson, C. (1982). *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford: Stanford University Press, p. vii.

²⁶⁹ Leftwich, A. (1996). ‘Two Cheers for Democracy? Democracy and the Developmental State’. In Leftwich, A. (ed). *Democracy and Development*. Cambridge: Polity Press, p. 284.

²⁷⁰ Leftwich, A. (1994). ‘Governance, the State and the Politics of Development’. *Development & Change*. 25(2), pp. 377-381.

²⁷¹ White, G. (1984). ‘Developmental States and Socialist Industrialisation in the Third World’. *Journal of Development Studies*. 21(1), pp. 98-101.

Moving from the notion of the 'developmental state', White argues instead for a 'democratic developmental state', which has 'sufficient political authority' and administrative capacity to manage conflicts and effective regulative, infrastructural and redistributive functions.²⁷² He focuses on the type of authoritarian regime, highlighting the major differences between, for example, South Korea and Zaire. Sørensen also insists on this distinction when arguing that authoritarian regimes make good 'developmental states'.²⁷³ Wintrobe's typology of dictatorship (Table 3.3) expresses the differences between regimes. His 'timocracy', which exercises a 'capitalist authoritarianism' and 'combine[s] market economics with autocratic political systems',²⁷⁴ helps us to understand what is meant by non-

Table 3.3: Wintrobe's Typology of Dictatorships

Totalitarian	USSR, Nazi Germany, Mussolini
Tinpot	Patrimonial, personal rule, includes many Latin American and African examples
Tyranny	Mobutu, Amin, Duvalier
Timocracy	Ideal type with no real examples, but close ones include Pinochet, Lee Kwan Yew

Source: Wintrobe, R. (1998). *The Political Economy of Dictatorship*. Cambridge: Cambridge University Press, pp. 7-15.

democratic developmental states. He also debunks previous theories on the importance of democracies for redistribution of growth to enhance well-being. Referring to NICs and timocracies such as Chile, '(1) These economies perform well, not because they don't redistribute but because they *do*. (2) The redistribution in the case of these regimes happens to be toward groups that especially profit from economic growth.'²⁷⁵

Leftwich maintains, 'Unattractive as many of these states may be from a liberal or socialist point of view, they have been highly effective in raising the material welfare of the majority of their citizens within a generation.'²⁷⁶ White calls Leftwich a 'pessimist', despite acknowledging the contextual and historical reasons for his pessimism.²⁷⁷ He cannot justify the existence of authoritarian regimes, but cedes, 'Perhaps the most we can grant the "rational authoritarian" argument is that, where a non-liberal democratic regime demonstrates a clear capacity to govern effectively and bring about real improvements in the lives of its citizens and is not engaged in gross violations of their civil rights and personal security, it should not be pushed willy-nilly into a wholesale and immediate adoption of a liberal-democratic polity'.²⁷⁸ Once again we can see the pre-conceived notion that liberal democracy is inherently 'good' and authoritarian regimes should only be 'tolerated' if they can prove worth from a development point of view.

²⁷² White, G. (1998). 'Constructing a Democratic Developmental State', p. 29.

²⁷³ Sørensen, G. (1991). *Democracy, Dictatorship and Development*, p. 184.

²⁷⁴ Wintrobe, R. (1998). *The Political Economy of Dictatorship*, pp. 7-14.

²⁷⁵ Wintrobe, R. (1998). *The Political Economy of Dictatorship*, p. 149 (emphasis in original).

²⁷⁶ Leftwich, A. (1994). 'Governance, the State and the Politics of Development', p. 365.

²⁷⁷ White, G. (1998). 'Constructing a Democratic Developmental State', p. 23, 42. His contextual reasons include asking whether a change in regime really will make a difference for development? What other constraints exist? Historical reasons include the paths followed by the West, the USSR, Germany and Japan prior to World War II, and the NICs.

²⁷⁸ White, G. (1998). 'Constructing a Democratic Developmental State', p. 24.

What remains are texts that come to no conclusion at all. Rueschemeyer et al. provides a salient example. Their study on *Capitalist Development and Democracy* combines quantitative cross-national comparisons and qualitative comparative historical studies to conclude that regime type does not matter as much as capitalism in facilitating economic development.²⁷⁹ Healey and Robinson conclude that the evidence does not show that democracy is more effective for growth or income equality, but then neither does it show it for authoritarianism.²⁸⁰ In addition, 'Third World experience so far does not give any assurance that political liberalisation or more representative government will *per se* result in better economic management or more decisive or effective adjustment policies, faster economic growth or less inequality'.²⁸¹ Roemer produced a complex politico-economic equilibrium model to conclude 'that there are no simple explanations of the link between political democracy and economic development'.²⁸² Despite this lack of evidence or consensus, donors insist that democratisation should be a condition of aid, and this type of ideologically-biased research continues.

Criticisms of Political Conditionality

Economic conditionalities have not brought about successful change in policy reform, reduction of debt or significant economic growth in recipient countries. There is no indication that political conditionalities will prove more effective. The consensus of most observers outside the donor agencies themselves is just the opposite. Criticism of political conditionality comes from authoritarian leaders in the South worried about upholding the *status quo*, but also claiming that rapid liberalisation, imposed from outside, could lead to ethnic unrest and civil troubles. Moi has claimed this in Kenya, as has Museveni of Uganda, among others. Criticisms also come from intellectuals worried about a 'hidden' donor agenda - the imposition of a Western-designed 'new world order' or an attempt to 're-colonise' the South.²⁸³ More criticism come from those concerned with more technical aspects of political conditionality, especially problems of evaluation.

This problem of evaluation comes up often in the academic literature. Economic conditionalities have proven difficult enough to monitor, both within the Bank itself and for outside observers. This does not bode well for political conditionalities. Whereas economic conditions often involve objectives such as exchange rates and tariff barriers, political conditionalities may require free and fair elections, a free media, transparent government and respect for human rights. Nelson contends

²⁷⁹ Rueschemeyer, D., Stephens, E. & Stephens, J. (1992). *Capitalist Development and Democracy*, pp. 5, 302. See also, Huber, E., Rueschemeyer, D. & Stephens, J. (1993). 'The Impact of Economic Development on Democracy'. *The Journal of Economic Perspectives*. 7(3), pp. 71-86.

²⁸⁰ Healey, J. & Robinson, M. (1992). *Democracy, Governance and Economic Policy: Sub-Saharan Africa in Comparative Perspective*. London: Overseas Development Institute, p. 122.

²⁸¹ Healey, J. & Robinson, M. (1992). *Democracy and Economic Policy*, p. 124.

²⁸² Roemer, J. (1995). 'On the Relationship between Economic Development and Political Development'. In Baguhi, A.K. (ed). *Democracy and Development: Proceedings of the IEA Conference held in Barcelona, Spain*. London: Macmillan Press Ltd./International Economic Association, p. 53.

²⁸³ Robinson, M. (1993). 'Aid, Democratisation and Political Conditionality in Sub-Saharan Africa', pp. 90-91.

that some political goals are easier to achieve than others. By way of illustration, a condition might state that there should be greater freedom of speech and association, which a recipient could comply with vis-à-vis lifting restrictions on the media and loosening laws on labour unions. However, a condition requiring a more responsible press is not within the government's power to control, and makes it harder for the donor to monitor results.²⁸⁴

Cassen asserts that in order to improve the efficacy of political conditionality, greater deliberation must be paid to donor strategy implementation. His keys to success are as follows: 'the availability of adequate resources to sustain adjustment programmes; the analytical and negotiating capacities of recipients; and the ability of donors to comprehend local circumstances and respond flexibly to changes in the assumptions or forecasts upon which programmes are based.'²⁸⁵ These keys incorporate the belief that aid agendas must include 'government ownership' of reform projects. If a recipient is unable to properly negotiate their own position in the aid agenda, but they also *need* the aid, it is not unrealistic to believe that perhaps conditions will not be met in full, or they may even be fraudulently made to look like there is compliance, ultimately making a mockery of the entire process.²⁸⁶

Paul Collier, director of the Development Research Department at the World Bank Institute (WBI),²⁸⁷ has taken an explicit look at the use of conditionality²⁸⁸ by the international financial institutions (IFIs) for the pursuit of policy change by recipients, and his conclusions are far from positive. His particular research focuses on the relationship between risk ratings and investment in Africa, and he concludes that 'the high-risk, low-investment environment in Africa that this conditionality as it has been practised for the past decade has failed to establish a credible policy environment. That is, to date, donor conditionality has not constituted an effective agency of restraint'.²⁸⁹ In other words, as of the late 1990s, Bank conditionality simply has not brought in private investment to Africa. The main problem for investors, as Collier sees it, is one of credibility - they simply do not believe that governments in Africa have a true commitment to reform. This is partly because there is a general lack of investor knowledge about Africa in comparison to other regions, but mostly because of the high donor profile in Africa, compared to other regions and, in countries like China, for example. '[H]owever opaque the political process in China, investors cannot seriously

²⁸⁴ Nelson, J. (1992). 'Good Governance: Democracy and Conditional Economic Aid'. In Mosley, P. (ed). *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries*. London: Macmillan Press Ltd., p. 313.

²⁸⁵ Cassen, R. (1994). *Does Aid Work? (2nd ed)*. Oxford: Oxford University Press, p. 59.

²⁸⁶ Nelson, J. (1992). 'Good Governance', p. 315.

²⁸⁷ Collier is professor of economics at Oxford University and director of the Centre for the Study of African Economies, currently on leave to head the Bank's research division.

²⁸⁸ Here Collier is referring to the economic conditions of SAPs, but he transfers this same reasoning to his more recent forays into political conditions, especially for anti-corruption work.

²⁸⁹ He defines an 'agency of restraint' as 'the institutional arrangement whereby a government locks itself into a policy'. Collier, P. (1999). 'Learning from Failure: The International Financial Institutions as Agencies of Restraint in Africa'. In Schedler, A., Diamond, L. & Plattner, M. et al (eds). *The Self-Restraining State: Power and Accountability in New Democracies*. London: Lynne Rienner Publishers, Inc., p. 314.

imagine that policy reform has been purchased by the World Bank'.²⁹⁰ It is the conditionality itself that plays a role in putting off investors.

According to Collier, there are three types of governments which accept aid with conditions attached:

- (1) Governments who know that the required reforms will be beneficial in the long-term, and then use the aid to offset any short-term costs.
- (2) Governments who were going to implement the required reforms anyway, so are then able to use the aid as a 'windfall'.
- (3) Finally, governments with no intention of implementing the reforms in the long-term, and who reverse any required reforms when the aid stops.²⁹¹

The problem of differentiation breeds further investor concern over credibility, and also raises the question of how donors can differentiate between these three types of governments as well.

What many of these critics keep coming back to is the concept of ownership of both economic and political conditionalities on the part of recipients and commitment to reform. A final criticism of political conditionality is that it presents a difficult paradox, one quite similar to the paradox blamed for the failure of adjustment, in that the minimalist state required by structural adjustment is often unable to implement sweeping economic reforms, let alone tackle new political ones.²⁹² Contrary to the principles of neo-liberalism put forward by the Bank in the 1980s, Nelson suggests evidence shows economic reform has taken place most effectively in states with an authoritative political system and small, centralised government.²⁹³ Baylies identifies an important paradox here, in that adjustment 'rests on an assumption that state capacity and legitimacy are crucial for the enactment of economic reforms and represents a response to a paradox inherent in previous orthodoxy, whereby structural adjustment programmes both relied on the state to institute reforms and undermined its capacity to do so'.²⁹⁴

This paradox highlights a conflict within the Bank in existence since its inception, that is, what is the role of the state? In the post-war period, the emphasis was placed on the state as a 'facilitator' of economic growth, a position largely unchallenged until the debt crisis in the late 1970s. Following this, the Bank instead insisted that the state hindered economic growth, and insisted that a minimalist, 'rolled back' state would instead foster economic growth.²⁹⁵ This claim has quickly been proven as simplistic and unfounded, both in the West and in the LDCs. In the 1990s, after a period of

²⁹⁰ Collier, P. (1999). 'Learning from Failure', pp. 314-315.

²⁹¹ Collier, P. (1999). 'Learning from Failure', pp. 316-317.

²⁹² Baylies, C. (1995). "'Political Conditionality' and Democratisation', p. 325.

²⁹³ Nelson, J. (1992). 'Good Governance', p. 312.

²⁹⁴ Baylies, C. (1995). "'Political Conditionality' and Democratisation', p. 324.

²⁹⁵ In his 1980 inaugural address, Reagan famously said, "Government is not the solution to our problem; government is the problem". Quoted in Hogan, J. (1988). 'The Office of Management and Budget and Reaganomics', pp. 97-98.

vast political change, the Bank has insisted that the state does indeed have a role - as a facilitator of administrative capacity. According to James Wolfensohn, the Bank's current president, '[D]evelopment requires an effective state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private businesses and individuals. Certainly, state-dominated development has failed. But so has stateless development...Without an effective state, sustainable development, both economic and social, is impossible'.²⁹⁶ This new position on the role of the state has led to a rethinking of the use of conditionality by the Bank, introducing a new explicitly political dimension to its lending in the form of good governance and anti-corruption work.

Looking at the introduction of governance into the agenda, Cassen opines, 'It was as if the donors were going up the ladder of causation, from projects to policies to the way in which countries were governed'.²⁹⁷ The earlier orthodoxy of authoritarian regimes as enablers of economic growth and reform changed, and it instead became accepted by donors that authoritarian regimes in the South, with bloated and often corrupt governments, in fact hindered economic growth. Burnell explains,

In what is little more than a reworking of the old jibe that some governments lack "political commitment to development", the root of the problem is presently laid at the door of non-accountable, corrupt, and incompetent regimes - regimes who extract resources from society and misappropriate the economic surplus for dubious expenditures and their own selfish purposes. According to this view, the state has ceased to be part of the solution to underdevelopment, and instead is an embodiment of the very problem.²⁹⁸

In this sense, donors are excused from the failures of adjustment. After all, it is not the design or even concept of adjustment that is to blame for poor African performance in the 1980s: it is the implementation of these theoretically sound policies by the Africans themselves. Using this logic, Collier warns, 'the only policies African governments are clearly identified as owning are those that are bad'.²⁹⁹

There are other critics who argue that the new focus on governance 'greatly increased the complexity of the [Bank's] operations. Their erstwhile mission, to facilitate economic growth via projects with a high rate of economic return, was difficult enough to achieve. But now "development" is seen to encompass multi-dimensional objectives, embracing social, cultural and even political domains'.³⁰⁰ Others believe that this new complex nature of the Bank's operations could have the effect

²⁹⁶ World Bank (1997). *World Development Report 1997*. New York: Oxford University Press, p. iii.

²⁹⁷ Cassen, R. (1994). *Does Aid Work?* (2nd ed.). Oxford: Oxford University Press, pp. 82-83.

²⁹⁸ Burnell, P. (1993). "'Good Government" and Foreign Aid', PAIS Working Paper No. 115, University of Warwick, January, pp. 10-11.

²⁹⁹ Collier, P. (1999). 'Learning from Failure', p. 323.

³⁰⁰ Culpepper, R. (1996). 'Multilateral Development Banks: Toward a New Division of Labour'. In Griesgraber, J. & Gunter, B. (eds). *Development: New Paradigms and Principles for the Twenty-first Century*. London: Pluto

of undermining its credibility on Wall Street, and Ardito-Barletta even claims that the reason that the Bank did not focus on governance before was in order to 'protect its portfolio'.³⁰¹ Finally, in a paper that harshly criticises the Bank's good governance agenda, Mahbub ul Haq, formerly McNamara's 'right-hand man', declares, '...the IMF and the World Bank are no longer institutions of global management; they are now primarily institutions to police the developing world'.³⁰² This criticism from within the Bank's elite highlights not only the significant shift in policy from McNamara's presidency but also the dramatic impact this new agenda has had on the Bank's role in the developing world and on its overall international position.

Good Governance, Anti-Corruption Work and the World Bank

The new approach to the role of the state and the introduction of more explicitly political conditions into Bank lending took place within a unique historical context. The great political upheaval of the early 1990s changed the way all donors approached foreign aid, and ushered in a focus on good governance.³⁰³ Along with the end of the Cold War and the collapse of command economies, came what has been referred to as a 'Third Wave' of democratisation in the developing world.³⁰⁴ Combined with the rise of neo-liberalism, ever-shrinking aid budgets and increased media attention on dictatorial Third World regimes squandering foreign aid,³⁰⁵ bilateral donors have offered support for the spread of democracy in the Third World, in the form of election assistance, and also judicial reform, training of the media and support for civil society.

Development, Democracy and Corruption

Concurrent with assistance for democratisation efforts has been a growing concern with the effects of corruption on development, and an increasing emphasis within the donor community on assistance for anti-corruption strategies. Few people now believe that corruption, in any form, is beneficial for economic growth or development. However, in the 1960s and 1970s, a group of scholars saw a direct link between the modernisation process and corruption and argued that 'corruption seems to exist and thrive in countries at similar stages of development regardless of cultural differences'.³⁰⁶

Press, p. 65; see also Gordon, D. (1992). 'Conditionality in Policy-Based Lending in Africa: USAID Experience'. In Mosley, P. (ed). *Development Finance and Policy Reform: Essays in the Theory and Practice of Conditionality in Less Developed Countries*. London: Macmillan Press Ltd., pp. 25-53.

³⁰¹ Ardito-Barletta, N. (1994). 'Managing Development and Transition'. In Kenen, P. (ed). *Managing the World Economy Fifty Years After Bretton Woods*. Washington DC: Institute for International Economics, p. 197. This seems unlikely that this is a real concern for the Bank, considering the attention being paid to the issue by all major donor organisations, NGOs, the United Nations and the world's media.

³⁰² ul Haq, M. (1994). 'The Bretton Woods Institutions and Global Governance'. In Kenen, P. (ed). *Managing the World Economy Fifty Years After Bretton Woods*. Washington DC: Institute for International Economics, p. 411.

³⁰³ Parts of this section were published as Marquette, H. (2001). 'Corruption, Democracy and the World Bank'. *Crime, Law & Social Change*. 36(4), pp. 395-407.

³⁰⁴ Huntington, S. (1991). *The Third Wave: Democratisation in the Late Twentieth Century*. Norman: University of Oklahoma Press.

³⁰⁵ Hewitt, A. & Killick, T. (1996). 'Bilateral Aid Conditionality and Policy Leverage', p. 136.

³⁰⁶ Ben-Dor, G. (1974). 'Corruption, Institutionalisation, and Political Development'. *Comparative Political*

These 'functionalists' believed that corruption helped aid social and political integration during times of great social change and filled needs not met by official means.³⁰⁷ Leys and Leff both argued that bribes can in fact overcome the obstacles arising from inefficient bureaucracy,³⁰⁸ while Nye discussed three ways corruption can help political development by helping economic development. Firstly, it aids capital formation when tax systems are weak and private capital scarce.³⁰⁹ Secondly, as Leys also indicated, corruption can help cut unnecessary and debilitating red tape. Finally, corruption can encourage entrepreneurship by creating competition. This can be especially important if the entrepreneurial class is a ethnic, racial or religious minority lacking legitimate access to the political system.³¹⁰ However, Nye did put a disclaimer on his theory. Problems can arise from corruption if actors waste resources, vis-à-vis capital flight, improper investment, waste of skills and the loss of foreign aid.³¹¹ It can delegitimise the government in the eyes of the people, possibly leading to social revolution, military coups and ethnic unrest. It also can reduce governmental administrative capacity.³¹²

Scott suggested that 'corruption can often more profitably be seen as one of many processes of political influence than as simply the misuse of office in violation of community norms'.³¹³ In LDCs with low literacy rates and where wealth and power are controlled by a small elite, the majority are able to influence politicians more at the 'enforcement stage', that is after laws have been passed, than in the pre-legislation stage, when pressure groups, such as business groups or trade unions, are more effective.³¹⁴ Huntington argued that higher levels of corruption coincided with rapid social and economic modernisation and helped to offset some of the destabilising factors brought about by these rapid changes. Even though corruption tends to weaken political development, it can also strengthen it by strengthening opposition parties and other institutions that otherwise lack access to the state.³¹⁵

Studies. 7(1), p. 69.

³⁰⁷ Heidenheimer, A. (ed). (1970). *Political Corruption: Readings in Comparative Analysis*. New York: Holt, Rinehart and Winston, Inc., pp. 480-481; Ben-Dor, G. (1974). 'Corruption, Institutionalization, and Political Development', p. 65.

³⁰⁸ Leys, C. (1970). 'What is the Problem about Corruption?'. In Heidenheimer, A. (ed). *Political Corruption: Readings in Comparative Analysis*. New York: Holt, Rinehart and Winston, Inc., p. 36. Originally appeared under the same title in (1965). *Journal of Modern African Studies*. 3(2), pp. 215-224. Leff, N. (1970). 'Economic Development through Bureaucratic Corruption'. In Heidenheimer, A. (ed). *Political Corruption: Readings in Comparative Analysis*. New York: Holt, Rinehart and Winston, Inc., p. 510. Originally appeared under the same title in (1964). *American Behavioral Scientist*. 8(3), pp. 8-14. The authors were quick to point out that 'can' is not the same as 'will'.

³⁰⁹ However, it is important to note that this is only the case if the money ends up in capital investment and not in Swiss bank accounts.

³¹⁰ Nye, J.S. (1970). 'Corruption and Political Development: A Cost-Benefit Analysis'. In Heidenheimer, A. (ed). *Political Corruption: Readings in Comparative Analysis*. New York: Holt, Rinehart and Winston, Inc., pp. 567-568. Originally appeared under the same title as (1967). *American Political Science Review*. LXI(2), pp. 417-427.

³¹¹ Interestingly, as early as 1967, Nye wrote, 'If corruption is a consideration with donors (presumably it weighs more heavily with multilateral institutions), it is not yet a primary one'. Nye, J.S. (1970). 'Corruption and Political Development', p. 570. Nye did not explain his presumption, but it does at least indicate an early academic concern with corruption and the World Bank.

³¹² Nye, J.S. (1970). 'Corruption and Political Development', pp. 570-572.

³¹³ Scott, J.C. (1969). 'The Analysis of Corruption in Developing Nations'. *Comparative Studies in Society & History*. 11(2), pp. 324-325.

³¹⁴ Scott, J.C. (1969). 'The Analysis of Corruption in Developing Nations', pp. 326-327; Scott, J.C. (1970). 'Corruption, Machine Politics, and Political Change'. In Heidenheimer, A. (ed). *Political Corruption: Readings in Comparative Analysis*. New York: Holt, Rinehart and Winston, Inc., p. 549. Originally appeared as (1969). 'Corruption, Machine Politics, and Social Change'. *American Political Science Review*. 63(4), pp. 1142-1159. See also, Scott, J.C. (1972). *Comparative Political Corruption*. Englewood Cliffs, NJ: Prentice-Hall, Inc.

³¹⁵ Huntington, S. (1968). *Political Order in Changing Societies*, p. 69.

This idea of corruption serving several functional roles in development was criticised by a new generation of scholars, again mostly economists, in the late 1970s and beyond,³¹⁶ and it is this school of thought that has influenced the World Bank's anti-corruption programme. Earlier in the 1970s, economists such as Myrdal³¹⁷ and Krueger³¹⁸ developed the idea of 'rent-seeking', defined as 'situations where people use resources both for productive purposes and to gain an advantage in dividing up the benefits of economic activity'.³¹⁹ Rent-seeking forms of corruption, which include bribery, 'speed money', smuggling and the black market, do not cut down on bureaucracy or open the state to the excluded, but rather add 'additional welfare costs' to transactions with the state.³²⁰ Instead of speeding up transactions, rent-seeking actually causes civil servants to slow transactions down in order to collect more bribes.³²¹ Myrdal claimed, 'Where corruption is widespread, inertia and inefficiency, as well as irrationality, impede the process of decision-making and plan fulfilment'.³²² Waterbury, a political scientist, agreed with Myrdal and Krueger and disagreed with the likes of Leff and Nye that corruption can be beneficial. Using Morocco as a case study, he concluded that bribery did not create more efficiency, eliminate red tape or include minority interests in the political process. Instead, those paying bribes were rarely the most efficient but instead were usually speculators or elites with money and access to the state. Red tape was often created in order to collect a 'fee.' It helped to keep resources within the elite and served to maintain the current regime.³²³

This approach to the impact of corruption on development was given real voice by two economists in particular, Rose-Ackerman³²⁴ and Klitgaard.³²⁵ Both have worked as consultants to the World Bank on corruption issues and continue to greatly influence the direction its work has taken.³²⁶

³¹⁶ See Williams, R. (1999). 'New Concepts for Old?'. *Third World Quarterly*. 20(3), p. 506.

³¹⁷ Myrdal, G. (1970). 'Corruption: Its Causes and Effects'. In Heidenheimer, A. (ed). *Political Corruption: Readings in Comparative Analysis*. New York: Holt, Rinehart & Winston, Inc., p.p. 540-545. Originally appeared under the same title in (1968). *Asian Drama: An Enquiry into the Poverty of Nations (Vol. II)*. Harmondsworth: Penguin Books, pp. 951-958.

³¹⁸ Krueger, A. (1974). 'The Political Economy of the Rent-Seeking Society'. *The American Economic Review*. 64(June), pp. 291-303. See also, Buchanan, J. (ed) (1980). *Toward a Theory of the Rent-Seeking Society*. Texas: Texas A & M University Press; Bhagwati, J. (1982). 'Directly Unproductive, Profit-Seeking (DUP) Activities'. *Journal of Political Economy*. 90(5), pp. 988-102.

³¹⁹ Rose-Ackerman, S. (1999). *Corruption and Government: Causes, Consequences, and Reform*. Cambridge: Cambridge University Press, p. 2.

³²⁰ Krueger, A. (1974). 'The Political Economy of the Rent-Seeking Society', p. 295.

³²¹ Myrdal, G. (1970). 'Corruption', p. 541.

³²² Myrdal, G. (1970). 'Corruption', p. 541.

³²³ Waterbury, J. (1973). 'Endemic and Planned Corruption in a Monarchical Regime'. *World Politics*. 25(4), pp. 543-555.

³²⁴ Rose-Ackerman, S. (1978). *Corruption: A Study in Political Economy*. New York: Academic Press.

³²⁵ Klitgaard, R. (1988). *Controlling Corruption*. Berkeley: University of California Press.

³²⁶ Klitgaard has worked as a consultant to the Bank on corruption, while Rose-Ackerman was also a visiting scholar at the Bank in the mid-1990s. While working as a visiting scholar at the World Bank, Rose-Ackerman published the following papers: (1996). 'The Political Economy of Corruption – Causes and Consequences'. Public Policy for the Private Sector Note No. 74. Washington DC: World Bank; (1996). 'Redesigning the State to Fight Corruption'. Viewpoint Note No. 75. Washington DC: World Bank; (1996). 'Democracy and "Grand" Corruption'. *International Social Science Journal*. 48, pp. 365-380; (1996). 'Is Leaner Government Cleaner Government?'. Published in Spanish as '¿Una Administración Reducida Significa una Administración Mas Limpia?'. *Nueva Sociedad*. 145(Sept-Oct), pp. 66-79; with Coolidge, J. (1997). 'High-Level Rent-Seeking and Corruption in African Regimes'. Policy Research Working Paper No. 1780. Washington DC: World Bank; (1997). 'When is Corruption Harmful?'. Background paper for 1997 WDR. Washington DC: World Bank; (1997). 'Corruption, Inefficiency and Economic Growth'. *Nordic Journal of Political Economy*. 24, pp. 3-20; (1997). 'The

Both worked within the framework of a principal-agent model, where an agent acts on behalf of a principal vis-à-vis a client, where all may act corruptly if the 'likely net benefits from doing so outweigh the likely net costs'.³²⁷ Both argue that some corruption is normal in any political system and that 'the optimum level of corruption is not zero'.³²⁸ Both argue that a free market is essential for combating high levels of corruption and that 'corrupt incentives are the nearly inevitable consequence of *all* government attempts to control market forces'.³²⁹ Both see corruption primarily in terms of bribery. Both offer solutions that can be taken up by the World Bank and other development agencies. Klitgaard's involves, (1) distinguishing between 'ostensible' and 'strategic' issues in fighting corruption;³³⁰ (2) cultivating political support; (3) getting the public involved; (4) breaking the culture of corruption; (5) moving positively as well as negatively; (6) linking anti-corruption measures to the development agency's main mission; and finally, finding 'Mr. Clean' and supporting him.³³¹ Rose-Ackerman's direct recommendations to the Bank on corruption, published in a 1997 article entitled 'The Role of the World Bank in Controlling Corruption', include, (1) tackling corruption in its own projects and being ready to cancel projects if corruption is detected; (2) supporting international efforts to reduce bribery and establish universal financial management standards; and (3) creating grant and loan projects that create 'an environment favourable to shared growth and the alleviation of poverty. The Bank could select a few countries with supportive governments and work with them to design programs that could serve as examples for others. Country officials, working with Bank staff, should design programs that reduce underlying corrupt incentives, facilitate civil service reform, open government to outside scrutiny, and strengthen formal institutions of oversight and control (such as the courts). This sounds like a large order, but piecemeal efforts are unlikely to do much good'.³³² As Chapter Four shows, this is exactly the direction in which the Bank's anti-corruption programme has evolved.

My intention here is not to prove conclusively, one way or the other, the relationship between democracy, corruption and development. Rather, I have shown the lack of scholarly consensus regarding this relationship. The significance for this thesis lies in the Bank's use of one side of the debate to justify its own work on corruption. Ignoring one-half of this important debate leaves the Bank theoretically stranded and without a clear mandate to push ahead with the more political aspects of its work.

Political Economy of Corruption'. In Elliot, K. (ed). *Corruption and the Global Economy*. Washington DC: Institute for International Economics, pp. 31-60; (1997). 'The Role of the World Bank in Controlling Corruption'. *Law & Policy in International Business*. 29(1), pp. 93-114; with Stone, A. (1998). 'The Burden of Bribery on Private Business: Evidence from World Bank Surveys'. Draft working paper. Washington DC: World Bank; (1998). 'Corruption and Development'. In Pleskovic, B. & Stiglitz, J. (eds). *Annual World Bank Conference on Development Economics, 1997*. Washington DC: World Bank, pp. 35-57.

³²⁷ Klitgaard, R. (1988). *Controlling Corruption*, p. 22.

³²⁸ Klitgaard, R. (1988). *Controlling Corruption*, p. 24; see also, Rose-Ackerman, S. (1978). *Corruption*, p. 9.

³²⁹ Rose-Ackerman, S. (1978). *Corruption*, p. 9 (emphasis in original).

³³⁰ Ostensible involves determining the treatment while strategic involves how to get it implemented.

³³¹ Klitgaard, R. (1988). *Controlling Corruption*, pp. 183-189.

³³² Rose-Ackerman, S. (1997). 'The Role of the World Bank in Controlling Corruption', pp. 113-114.

Ball reminds us of early work by economists, such as Schumpeter³³³ and Downs,³³⁴ who produced the 'economic theory of democracy', which 'recasts democracy in the idiom of economics, or more specifically of neo-classical economic theory and the more recent "rational choice" research programme predicated on it'.³³⁵ Political scientists should not be surprised by the results of this work, as 'economics is in no small part persuasive speech. That discipline's increasingly technical and formal character tends to discourage or disable critics who are not economists, even as it lends an aura of scientific legitimacy to those who speak its idiom'.³³⁶ The 'economic theory of corruption' put forward by the Bank is inevitably flawed by its insistence that corruption can be simply an economic issue. Even its definition of corruption lacks the nuance and depth of earlier definitions, being simply: '*the abuse of public office for private gain*'.³³⁷ This means everything and nothing at the same time, and it allows the Bank great scope for work on corruption because it presents few limitations.

Donors and Good Governance

For most donors, good governance equals democratic government, and anti-corruption work tends to be placed within an overall strategy of assistance for democratisation efforts, which also includes related themes such as enhanced participation, strengthening of the rule of law, multi-party elections, institution building and making governments more accountable to their electorates. Donor strategies have developed in this way despite the criticism from some that there is no evidence to suggest that democracy is a necessary *pre-condition* of development. This is not to suggest that all donors share the same priorities or that approaches towards good governance within the donor community are identical, but there are similarities. These include helping to promote competition among political parties, high levels of participation and sufficient levels of civil and political liberties.³³⁸

³³³ Schumpeter, J. (1942). *Capitalism, Socialism and Democracy*. London: George Allen & Unwin.

³³⁴ Downs, A. (1957). *An Economic Theory of Democracy*. New York: Harper & Row Publishers.

³³⁵ Ball, T. (1988). *Transforming Political Discourse: Political Theory and Critical Conceptual History*. Oxford: Basil Blackwell Ltd., p. 122. Both Klitgaard and Rose-Ackerman are proponents of rational choice theories of corruption.

³³⁶ Ball, T. (1988). *Transforming Political Discourse*, p. 136. An interesting example of this is found in a paper by Klitgaard, in which he includes an anecdote about meeting Raymond Gastil, author of *Freedom in the World*, who expressed displeasure that his index of political and civil rights was being linked to economic growth in Klitgaard's work. Klitgaard says that he tried to explain the methodology to Gastil but he did not seem to understand. With the tone in which Klitgaard recounts this story, one can almost imagine a wink at his fellow economists. Klitgaard, R. (1994). 'Do Better Politics Have Higher Economic Growth?'. IRIS Working Paper No. 113, p. 5.

³³⁷ World Bank (1997). *Helping Countries Combat Corruption: The Role of the World Bank*. Washington DC: World Bank, p. 8 (emphasis in original). For an excellent approach to the problems of defining corruption, see Philp, M. (1997). 'Defining Political Corruption'. *Political Studies: Special Issue - Political Corruption*. 45(3), pp. 436-462. In the most recent World Development Report, the Bank refers to its definition as 'the classic definition of corruption'. World Bank (2001). *World Development Report 2002*. Oxford: Oxford University Press, p. 101. The Bank should perhaps draw a distinction between 'often-cited' and 'classic'.

³³⁸ Sørensen, G. (1998). *Democracy and Democratisation: Processes and Prospects in a Changing World*, Boulder: Westview Press, pp. 12-13.; see also, Dahl, R. (1971). *Polyarchy: Participation and Opposition*. New Haven: Yale University Press.

The important exception is the World Bank. The Bank is primarily an economic institution, and its non-political approach to anti-corruption reflects both this and its Articles of Agreement. The Bank also sees corruption as a symptom of weak institutions, accountability, rule of law, low levels of participation, and so on; but, unlike other donors, there is no insistence that democratisation is the answer. Using this logic, anti-corruption strategies can work as well in authoritarian states as in democratic ones,³³⁹ and the Bank's lending in this area reflects this. Therefore the Bank's anti-corruption programme as it now manifests itself claims to exclude political considerations from an issue generally seen as primarily a political phenomenon.

The different approach taken by the Bank can be shown by comparing its definition of good governance to those of other donor agencies (Box 3.1).

Box 3.1: Different Donor Definitions of Good Governance

World Bank: 'governance is defined as the manner in which power is exercised in the management of a country's economic and social resources for development. Good governance, for the World Bank, is synonymous with sound development management'.³⁴⁰

UNDP: 'the exercise of political, economic and administrative authority to manage a nation's affairs...Sound governance, taken a step further, is a subset of governance wherein public resources and problems are managed efficiently and in response to the critical needs of society. Effective democratic forms of governance rely on public participation, accountability and transparency'.³⁴¹

USAID: linked to democratisation efforts; includes focus on human rights, informed participation, public sector accountability, rule of law, 'democratic institutions, free and open markets, an informed and educated populace, a vibrant civic society, and a relationship between state and society that encourages pluralism, inclusion, and peaceful conflict resolution'.³⁴²

DfID: good government means the promotion of 'sound economic and social policies...the competence of governments and other institutions...and respect for human rights and the rule of law';³⁴³ work is undertaken by the Governance Department, whose 'approach...cover[s] a number of strands - democratic accountability, fundamental freedoms, corruption, service delivery for all, due process rights and security - which, when brought together should lead to governance which is representative of, and accountable to all its people and effective in realising their rights'.³⁴⁴

EU: good governance has often been 'closely linked with the respect for and enjoyment of fundamental human rights'.³⁴⁵

³³⁹ For example, Singapore not a liberal democracy but has low levels of corruption, partly as a result of its successful Corrupt Practices Investigation Bureau (CPIB), established in 1952.

³⁴⁰ World Bank (1992). *Governance and Development*. Washington DC: World Bank, p. 1.

³⁴¹ UNDP. (1997). *Corruption and Good Governance*. New York: UNDP, p. v.

³⁴² USAID. (1996). 'USAID's Strategies for Sustainable Development: Building Democracy'. Available at <http://www.info.usaid.gov/democracy/strategy.htm>.

³⁴³ Chaulker, L. (1991), 'Good Government and the Aid Programme', Speech given at the Royal Institute of International Affairs, London, 25 June.

³⁴⁴ DfID (2000). 'Governance Department'. Available at <http://www.dfid.gov.uk>.

³⁴⁵ EU (1989). 'Fourth Lomé Convention'. Document 291A0817(01). Available at http://www.europa.eu.int/eur-lex/en/lif/dat/1991/en_291A0817_01.html. The EU has taken the longest of all major donors to articulate a cohesive governance agenda, but this reflects the uniqueness of its aid programme and its relationship with the majority of LDCs through Lomé. A recent article by Dickson shows how human rights and democracy have crept into the EU's agenda with its ACP partners. Dickson, A. (2000). 'Bridging the Gap: Great Expectations for EU Development Co-operation Policies'. *Current Politics and Economics of Europe*. 9(3), pp. 275-296. Refer also to specific articles in *The Courier*, including 'Memorandum on the Community's Development Policy', *The Courier*, No. 76, November-December 1982, pp. 48-74; 'Negotiations Diary', *The Courier*, No. 83, January-February 1984,

DANIDA: 'includes the creation of transparency, openness, and responsibility in political and administrative decision-making processes. The population must be guaranteed access to information on the decisions made by a country's authorities to ensure inter alia that resources are applied according to the needs of the population'.³⁴⁶

The World Bank, with its non-political mandate, focuses on economic management. UNDP, a multilateral agency that assists countries without conditions (and is not a donor agency), highlights issues of efficiency, accountability and transparency. Both USAID and DfID make democracy a key element in their definitions of good governance, while the EU focuses primarily on human rights. Finally, DANIDA, as representative of the Scandinavian donors, stresses the need for accountability and participation by all. These variations reflect differences in overall agency missions and approaches to development aid. The World Bank and the UN, as multilateral agencies, exist to serve the needs of member countries and must not be seen to be acting on behalf of any one country or region.

It is also important to remember the difference between bilateral and multilateral aid. Bilaterals have much more flexibility than multilaterals because they are under no obligation to lend to any particular country.³⁴⁷ Bilateral donors give aid for many reasons - humanitarian, security, commercial, and so on - but these factors can and do change rapidly, as do favoured recipients. However, multilateral institutions, such as the Bank, do not share the same reasons for lending and are intended to provide financing to either the most needy or the most creditworthy. If one compares regional disbursement of aid by donor, some interesting comparisons can be drawn. Figure 3.1 illustrates the political nature of bilateral aid. As evidenced, the majority of donor aid is not necessarily given to the most needy or most deserving recipients, but rather to those whose poverty may pose a strategic threat or which have colonial ties to the donor. For example, the majority of French aid goes to its former colonies in Sub-Saharan Africa, the US to the Middle East and Japan to Asia. Here, there is no way to disguise the political nature of bilateral aid, and the World Bank stands out. Nearly all of the regions that received the highest levels of aid from the Bank are only largely eligible for IBRD loans, not IDA credits, and have some of the largest economies in the developing world. For an institution like the Bank interested in maintaining its AAA bond rating, higher incomes equal lower risk and therefore more aid can be justified.³⁴⁸ This could explain why the Bank consistently lends more than any other donor to all regions *except* Sub-Saharan Africa, where incomes are the lowest;

pp. i-xvi; 'Brussels - Second Ministerial Meeting in the ACP-EEC Negotiations', *The Courier*, No. 84, March-April 1984, pp. i-xxii; 'Negotiations Update', *The Courier*, No. 85, May-June 1984, pp. i-xii. See Chapter Five for more detail.

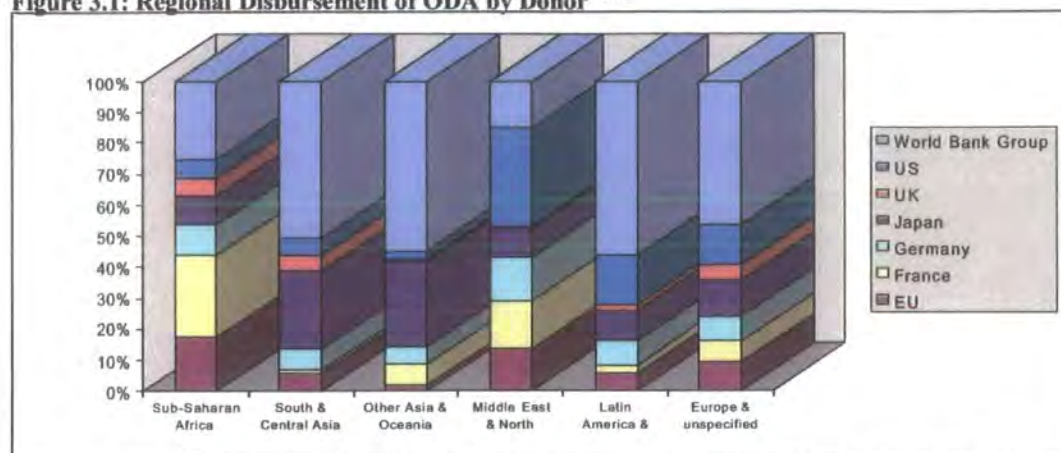
³⁴⁶ DANIDA. (1997). *Denmark's Development Assistance 1996*. Copenhagen: DANIDA; see also, Marquette, H. (1999). 'Selected European Countries' Approaches to Development and Good Governance'. Briefing paper for DfID, mimeo.

³⁴⁷ Interview with Paul Collier, 1 February 2000, Washington D.C.

³⁴⁸ Many other factors also affect the Bank's decision, such as the nature of the projects, etc., but restrictions of space and time preclude a discussion.

therefore, countries in this region only generally qualify for IDA credits, the soft loan arm of the Bank, with less money to lend.³⁴⁹

Figure 3.1: Regional Disbursement of ODA by Donor³⁵⁰



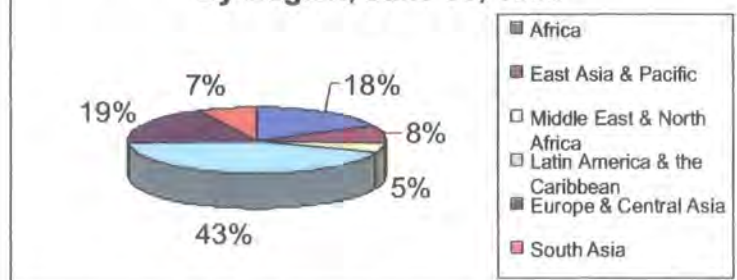
Sources: World Bank (1999). 'World Bank Lending Rises in Fiscal 1998'. News Release No. 99/1884/S; OECD (1999). 'Aid at a Glance'. Available at <http://www.oecd.org/dac/htm>.

The first major Bank publication to focus on good governance was the 1989 Bank publication, *Sub-Saharan Africa: From Crisis to Sustainable Development*, often referred to as the Long-Term Perspective Study (LTPS). Although the 1989 study was considered groundbreaking by both academics and aid practitioners, it built upon work within the Bank throughout the 1980s. Papers written by Bank staff with a governance dimension, or directly relating to governance, continued to appear in the early 1990s, offering definitions and much analysis, culminating in the 1992 discussion paper *Governance and Development*. Although not part of a concrete policy on governance, these publications provide evidence of a growing concern with the issue as opposed to a completely *ad hoc* reaction to the changing political climate of the early 1990s. However, governance issues during this time were kept as small segments within regular publications, such as annual reports and *World Development Reports* (WDRs) and generally related to public sector reform, often using African examples (despite the majority of lending for the public sector going to Latin America).

³⁴⁹ In 2000, IBRD disbursed \$10.9 billion, with Sub-Saharan Africa receiving only 1% of that total, while IDA disbursed \$4.4 billion, with 47% going to Sub-Saharan Africa. World Bank (2000). *World Bank Annual Report 2000*. Washington DC: World Bank, pp. 9-10. The Bank also lends comparatively little to the Middle East, where demand for Bank loans has historically been very low and bilateral funding is plentiful.

³⁵⁰ World Bank figures for Europe include Central Asia and cannot be separated out of the total.

Figure 3.2: Cumulative World Bank Lending for Public Sector Management By Region, June 30, 1998



Source: World Bank (1998). *The World Bank Annual Report 1998*. Washington DC: World Bank, pp. 164-165.

As we have seen, the Berg Report (1981) introduced the concept of policy reform and raised concern over inefficient and bloated public sectors.³⁵¹ The 1983 *WDR* looked at public sector reform, and extended it to discussions on state-owned enterprises (SOEs), decentralisation, the private sector, government watchdogs, accountability, transparency and corruption, providing the first explicit reference to corruption by the Bank.³⁵² Political issues are also addressed in the context of governance and the public sector. 'When political leaders are recognised for their integrity, vision and concern for the public welfare, these qualities can be reflected in the ethos and performance of the public service and will have a profound effect on all sections of society. But if corruption is rife, public bureaucracy is likely to become demoralised and self-serving.'³⁵³ Here the report draws a direct link between the quality of political leadership and efficiency in the public sector.

The 1983 *WDR* contains several references to corruption. It emphasises the need for popular participation in Bank project and programme design to increase the accountability of Bank field staff to local people.³⁵⁴ It points to the need for long-term solutions through public sector reform and increased accountability. 'Corruption is usually better fought by a combination of fewer, better-paid officials controlling only what really needs to be (and can effectively be) controlled in the full light of public scrutiny, than by occasional anti-corruption "campaigns"'.³⁵⁵ The role of institutions and political organisations as tools to combat 'overstaffed bureaucracies and cumbersome procedures' and patronage are briefly touched upon as well.³⁵⁶ Finally, a specific case is highlighted in which an irrigation scheme funded by the Bank exposed customary staff kickbacks and overcharging. The Bank argues, 'Safeguards against corruption are needed at every level. Politically, the accountability of officials to ministers, and ministers to the general public, is a well-tried way to minimise abuse. For

³⁵¹ World Bank (1981). *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. Washington DC: World Bank, pp. 40-41.

³⁵² World Bank (1983). *World Development Report 1983*. Oxford: Oxford University Press.

³⁵³ World Bank (1983). *World Development Report 1983*, pp. 5-6.

³⁵⁴ World Bank (1983). *World Development Report 1983*, p. 94.

³⁵⁵ World Bank (1983). *World Development Report 1983*, p. 117.

³⁵⁶ World Bank (1983). *World Development Report 1983*, p. 116.

programmes, pressure on corrupt managers can also be increased by making clients (especially the poor) more aware of their rights'.³⁵⁷

This forthright acknowledgement of corruption by the Bank did not resurface in its literature for four years. The 1987 *WDR* discusses rent seeking, 'directly unproductive profit-seeking activities' (DUPs) and corruption, claiming that DUPs have been estimated to account for twenty-four percent of Kenyan GDP in 1982.³⁵⁸ The Bank's 1990 and 1991 annual reports also touch on public sector reform and restructuring.³⁵⁹ The 1991 report, in particular, highlights complex governance-related topics usually considered outside the Bank's mandate, including political and civil liberties, claiming that '[p]olitical and civil liberties are not, contrary to a once-popular view, inconsistent with economic growth'.³⁶⁰ The report looks at the link between democracy and growth and concludes that there is no hard evidence to suggest that democracy actually fosters growth, but neither does it hinder it. However, other evidence suggests that there is a correlation between political and civil liberties and high health and education levels.³⁶¹

To support this, two tables are provided to see if a link can be drawn between political systems and the success of SAPs.

Table 3.4: The success of economies with differing political systems in implementing an IMF adjustment programme (percent)³⁶²

<i>Percentage of adjustment years</i>	<i>Continuous democratic system</i>	<i>Continuous authoritarian system</i>	<i>Transitional democratic system</i>
In which fiscal deficits fell	49	50	25
In which expenditures as percentage of GDP fell	38	46	29
In which credit expansion slowed	61	62	43

³⁵⁷ World Bank (1983). *World Development Report 1983*, p. 95.

³⁵⁸ World Bank (1987). *World Development Report 1987*. Washington DC: World Bank, p. 75.

³⁵⁹ World Bank (1990). *The World Bank Annual Report 1990*. Washington DC: World Bank, p. 89; World Bank (1991). *The World Bank Annual Report 1991*. Washington DC: World Bank, p. 68.

³⁶⁰ World Bank (1991). *The World Bank Annual Report 1991*, p.4.

³⁶¹ World Bank (1991). *The World Bank Annual Report 1991*, pp. 9-10. The Bank refers here to work by R. Gastil (1989). *Freedom in the World*. New York: Freedom House, published annually since 1978.

³⁶² Based on reform episodes in seventeen countries from the 1950s through the 1980s.

Table 3.5: The success of economies with differing political systems in controlling rapid inflation³⁶³

<i>Measure</i>	<i>Democratic systems</i>	<i>Authoritarian systems</i>
<i>Percentage of inflation episodes which ended in stabilisation</i>		
<i>In nonpolarized environment</i>	75	62
<i>In polarized environment</i>	29	67
<i>Percentage of adjustment programs that led to breakdown of system 12 months or less after program started</i>		
	11	14

Source: World Bank (1991). *World Development Report 1991*, p. 134.

These tables hardly provide conclusive proof that a democratic system provides a better environment for adjustment programmes; however, they do provide proof that the Bank has been thinking about issues of governance, even explicitly political aspects, for many years.³⁶⁴

The first draft of the 1989 LTPS report approached political issues tentatively, but found encouragement within Africa to delve more deeply in its final draft. According to a study by Miller-Adams, 'The first draft of this study prepared by the Bank and circulated to member countries, avoided any mention of how politics had affected Africa's economic progress out of deference to the governments involved. The Africans consulted about the report insisted that political issues be addressed in order to make its conclusions more realistic and useful'.³⁶⁵ The LTPS then is an attempt to address Africa's development concerns within a framework that allows political analysis. The Bank's findings, such as, 'Underlying the litany of Africa's development problems is a crisis of governance',³⁶⁶ are supported by quotes from some African leaders, including the now famous quote from President Abdou Diouf of Senegal: 'Africa needs not just less government but better

³⁶³ Based on 114 standby agreements from 1954 to 1984 signed by nine Latin American countries.

³⁶⁴ The report does not provide definitions for either authoritarianism or democracy, instead listing some components of democracy (political checks and balances, a free press, open debate on government policy) and interchanging 'authoritarian' with 'dictatorship'. This is not the same as providing clear definitions, but rather assumes that the reader understands what the report means by the terms. See World Bank (1991). *World Development Report 1991*, pp. 132-134.

³⁶⁵ Miller-Adams, M. (1997). 'The World Bank in the 1990s: Understanding Institutional Change'. Unpublished PhD thesis, Columbia University, p. 67. See also, World Bank (1992). *Governance and Development*, p. 58, note 2; Agarwala, R. & Schwartz, P. (1994). 'Sub-Saharan Africa: A Long-Term Perspective Study'. Paper prepared for the World Bank Workshop on Participatory Development, 17-20 May 1994.

³⁶⁶ World Bank (1989). *Sub-Saharan Africa: From Crisis to Sustainable Growth (A Long-Term Perspective Study)*. Washington DC: World Bank, p. 60. The background papers for this report have also been published and volume 3 is especially relevant. See World Bank (1990). *The Long-Term Perspective Study of Sub-Saharan Africa, Volume 3: Institutional and Socio-political Issues*. Washington DC: World Bank, especially the contributions by Tarr, B. 'Political Developments and Environment in Africa', pp. 32-42; Hyden, G. 'The Changing Context of Institutional Development in Sub-Saharan Africa', pp. 43-59; and Hyden, G. 'Creating an Enabling Environment', pp. 73-80.

government'.³⁶⁷ As well as generating interest in the topic, the report also resulted in the formation of the African Capacity Building Initiative.³⁶⁸

Importantly, the report also provides an early Bank definition of governance: 'the exercise of political power to manage a nation's affairs'.³⁶⁹ Ibrahim Shihata,³⁷⁰ the Bank's General Counsel at the time and responsible for interpreting the Articles of Agreement, felt that it had to tread carefully. Shihata admits the difficulty of the Bank actively involving itself in governance issues while maintaining its non-political stance. He remarks,

The Bank's efforts in this respect are likely to concentrate on the effectiveness of its assistance, the strengthening of relevant government institutions and the streamlining of their rules and procedures to ensure discipline, accountability and predictability, rather than on the broader political considerations which the Bank is prohibited under its Articles from taking into account. This task seems, however, to take the Bank beyond the traditional role of ensuring that the funds it provides or administers on behalf of other donors are put to good use. It increasingly involves the Bank in assisting governments in their more difficult efforts of ensuring that the economy as a whole will be managed according to appropriate policies and rules which are applied by effective institutions.³⁷¹

In 1990, he laid out five aspects of governance prohibited by the Bank's mandate: the Bank cannot be influenced by the political character of a member; it cannot interfere in the domestic or foreign partisan politics of a member; it cannot act on behalf of donor countries to influence a recipient member's political orientation or behaviour; it cannot allow political factors to influence its decisions

³⁶⁷ World Bank (1989). *Sub-Saharan Africa*, pp. 5, 55.

³⁶⁸ The ACBI, now known as the African Capacity Building Foundation (ACBF), originated from a World Bank-convened meeting in Kenya between Bank staff and African policy-makers, economic managers and academics in 1988. The meeting established a lack of capacity as the main reason for continuing African underdevelopment. Results were presented to donors at the Rockefeller Foundation in New York in 1989. Working with the African Development Bank (AfDB), UN Development Programme (UNDP) and other donors, the Bank launched ACBF in 1992 (see <http://www.acbf-pact.org>). In 1997, Wolfensohn announced that 'efforts are now underway to establish both an international consultative group for capacity building in Africa and an accompanying trust fund', as outlined in a report by the African Governors of the World Bank entitled 'Partnership for Capacity Building in Africa: Strategy and Program of Action'. World Bank (1997). 'Bank Embraces New Push for Capacity Building in Africa'. *World Bank News*, 9 May. The Partnership for Capacity Building in Africa (PACT), established in January 2000, focuses on building capacity in the public and private sectors, as well as civil society, and supporting regional research and training. The Bank has provided a \$30 million grant, with a further \$150 million awaiting Board approval, and a total initial pledge from donors of \$1 billion. See <http://www.acbf-pact.org>; World Bank (2000). *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*. Washington DC: World Bank, pp. 75-76, 84. PACT is fully implemented by ACBF and not by the AFR Region of the Bank. Instead, a representative from the Bank sits on ACBF's Board. Interview with Brian Levy, 9 January 2001, Washington DC. Although PACT is held up by the Bank as an 'African-owned initiative, with twelve Africans on the twenty-two member Board (the rest are donors), it is hard to see any instance in its history where the Bank has not been at the forefront of initiatives.

³⁶⁹ World Bank (1989). *Sub-Saharan Africa*, p. 60.

³⁷⁰ Shihata was most recently Professor at Dundee University's Centre for Petroleum and Mineral Law and Policy, teaching in the international business transactions programme, but he passed away in May 2001. The current General Counsel is Ko-Yung Tung, appointed in 1999.

³⁷¹ Shihata, I. (1991). *The World Bank in a Changing World: Selected Essays*. Dordrecht: Martinus Nijhoff Publishers, p. 40.

unless there is an 'obvious' economic effect;³⁷² and its staff must not build their assessment on the possible reactions of a particular Bank member or members.³⁷³ This obviously excludes any discussion of democracy and possibly human rights from the Bank's agenda. It does, however, leave some room open for anti-corruption activities, but within a well-defined framework. Areas with potential impact on corruption that fall into the Bank's mandate include civil service reform, legal reform, accountability for public funds, budget discipline and popular participation 'in the design and implementation of a specific development project or program' (as opposed to popular participation in general).³⁷⁴

Another early work by Landell-Mills and Serageldin provided a very political definition of governance: 'how people are ruled, and how the affairs of a state are administered and regulated. It refers to a nation's system of politics and how this functions in relation to public administration and law'.³⁷⁵ These definitions proved too political for the Bank, and its Board eventually required a more 'formal interpretation' of governance to set perimeters for Bank action, resulting in the 1992 discussion paper, *Governance and Development*.³⁷⁶

A new definition emerged in the 1992 paper: 'governance is defined as the manner in which power is exercised in the management of a country's economic and social resources for development'.³⁷⁷ Therefore, according to the Bank, good governance equals 'sound development management'.³⁷⁸ The report goes on to identify four areas 'consistent with the Bank's mandate: public sector management, accountability, the legal framework for development, and information and transparency'.³⁷⁹ Two of these areas - public sector management and legal reform - are areas where the Bank has considerable experience, but the other two offered new challenges to its staff.

In 1994, the Bank published *Governance: The World Bank's Experience*, a progress report on governance activities. The main focus of this report is the Bank's public sector management activities, for a number of reasons. First, it is where the most experience lay, and therefore the greatest number of

³⁷² However, 'a question which is traditionally considered as "political" cannot be turned into an economic issue just because of minor possible economic effects'. Shihata, I. (1991). *The World Bank in a Changing World*, p. 84. Despite this, 'Much of what the Bank now considers "economic", and therefore appropriate for its attention, would even a decade ago have been considered inappropriate'. Blackden, C.M. (1996). 'Human Rights, Development, and the World Bank: Economics vs. Politics?'. *Dialogue*. April, p. 3.

³⁷³ Shihata, I. (1991). *The World Bank in a Changing World*, pp. 82-84; see also World Bank (1992). *Governance and Development*. Washington DC: World Bank, p. 5.

³⁷⁴ Shihata, I. (1991). *The World Bank in a Changing World*, pp. 88-93.

³⁷⁵ Landell-Mills, P. & Serageldin, I. (1992). 'Governance and the External Factor'. Proceedings of the 1991 World Bank Annual Conference on Development Economics, p. 304. This same paper includes the caveat that external agencies, such as the World Bank, should not impose 'a particular democratic system' on a country, but should consider withdrawing funding unless there is at least 'some minimal level of popular support' for the government' (pp. 311-312). This caveat contains the *a priori* assumption that the political system in question is democratic, and does not take into consideration that almost all governments, with rare exception, have at least 'some minimal level of popular support'. This includes governments that wholly contradict the Bank's notion of good governance: Saddam Hussein in Iraq, Castro in Cuba, Wahid in Indonesia, and even the Taliban in Afghanistan.

³⁷⁶ Fillip, B. (1997). 'The World Bank and Governance', p. 58.

³⁷⁷ World Bank (1992). *Governance and Development*, p. 1.

³⁷⁸ World Bank (1992). *Governance and Development*, p. 1.

³⁷⁹ World Bank (1992). *Governance and Development*, p. 2.

projects as well. Also, it was easy to account for due to existing accounting controls on projects. The report admitted that it was hard to measure governance activities because of the way the accounting system worked. Despite this, it was able to provide some measurement of governance work by looking at 455 projects in three regions during the fiscal period 1991-1993, highlighting the following characteristics linked to governance.

Table 3.6: World Bank Measurements of Governance Within Its Projects, 1991-93

Category	Proportion of lending operations with governance content (percent)
Legal framework	6
Participation	30
State-owned enterprises reform	33
Economic management	49
Capacity building	68
Decentralisation	68

Source: World Bank (1992). *Governance and Development*, p. xv.

According to the 1992 report, public sector reform had undergone a major transformation since lending began in the early 1980s. Public sector reform was about 'improving the management of project-related agencies'. However, with the switch from project to policy lending, it had become much more complex, 'addressing such systematic constraints on sound management as weaknesses in the civil service, in wage structures, and in the central economic agencies that are responsible for policy formation'.³⁸⁰ Because 'the World Bank's interest in governance arises from its concern for the effectiveness of the development efforts it supports',³⁸¹ its efforts focus on areas perceived to impact development efforts. These are often linked to the public sector, including, 'weak institutions, lack of an adequate legal framework, weak financial accounting and auditing systems, damaging discretionary interventions, uncertain and variable policy frameworks, and closed decision-making, which increases risks of corruption and waste.'³⁸²

Referring to the rule of law, Sabine Schlemmer-Schulte, the Bank's Senior Counsel, explains,

From the outside, the World Bank's approach...may seem fragmented. From the Bank's perspective, however, it is a consistent and coherent concept, albeit complex in its operation, that has evolved from the Bank's perspective of its economic and social development mandate and its experience in realising the goals assigned to it in its mandate. The Bank's concept may, in a nutshell, be referred to as including formal (or

³⁸⁰ World Bank (1992). *Governance and Development*, p. 2.

³⁸¹ World Bank (1992). *Governance and Development*, p. 3.

³⁸² World Bank (1992). *Governance and Development*, p. 4.

content/value-neutral) aspects...and material (or substantive or content/value-loaded) aspects.³⁸³

The same could be said about the Bank's approach to good governance and its approach to corruption.

The Bank's governance work is selective because of the potentially sensitive nature of many of these areas, and yet highly integrated with the Bank's overall activities. Almost any project can have a governance component in it, which is why there is no separate vice-presidency in charge of governance. All divisions are supposed to take governance issues into account when designing projects and strategies. This rather *ad hoc* approach towards governance has been evident since its inception and has had a tremendous impact on the evolution of the Bank's current anti-corruption programme.

Criticisms of Good Governance

The Bank's current definition of governance is 'the manner in which power is exercised in the management of a country's economic and social resources for development. Good governance, for the World Bank, is synonymous with sound development management'.³⁸⁴ In a conference on good governance in Africa, Adamolekun, a researcher for the Bank, explained that 'the term governance is used here in preference to politics to cover the totality of institutions which are related to the governing of a modern state'.³⁸⁵ However, the Bank has since developed an understanding that politics cannot be divorced from economics, especially in work on governance, and also in anti-corruption work. Indeed, in a recent report the Bank stresses, 'Increasingly, it is recognised that a critical component of anti-corruption programming has been lacking in the Bank's involvement: the political dimension. In addition to working with parliamentarians...[the Bank's] work is now focusing on such issues as press freedom, access to information, and media accountability'.³⁸⁶ Nevertheless, its definition of governance remains unchanged.

Putting aside the question of the Bank's non-political mandate, we can find in the literature two interrelated criticisms of this new approach to politics. Firstly, there is the quite sudden recognition by the Bank in the early 1990s of political factors. Referring to a Bank report on adjustment, which claims that weakness of political institutions has 'proved *unexpectedly* serious as constraints to better performance', Callaghy emphasises the change in perception and understanding at the Bank, and the

³⁸³ She defines formal aspects as including institutions and processes, while material aspects includes strategies that are market-friendly, socially considerate and culturally sensitive. Schlemmer-Schulte, S. (2001). 'The World Bank's Role in the Promotion of the Rule of Law in Developing Countries'. In Schlemmer-Schulte, S. & Tung, K. (eds). *Liber Amicorum Ibrahim F.I. Shihata: International Finance and Development Law*. The Hague: Kluwer Law International, p. 722.

³⁸⁴ World Bank (1992). *Governance and Development*, p. 1.

³⁸⁵ Adamolekun, L. (1990). 'Institutional Perspectives on Africa's Development Crisis'. *African Governance in the 1990s: Objectives, Resources and Constraints*. The 2nd Annual Seminar of the African Governance Program, The Carter Center, Atlanta, 23-25 March, p. 82, note 5.

³⁸⁶ World Bank (2000). *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*. Washington DC: World Bank, p. 152.

growing realisation that politics impacts economics.³⁸⁷ In the context of structural adjustment, Abrahamsen argues, 'democracy or good governance is not valued in its own right but is seen first and foremost as a means to the end of economic growth. Governance issues were grafted on to neo-liberal economic policies, giving them a more democratic and humanitarian facade and thereby constructing a new legitimacy for the severely criticised structural adjustment programmes'.³⁸⁸ Indeed, Martin claims that the Bank's approach to governance is simply re-working the state to suit globalisation.³⁸⁹ George and Sabelli also attribute the Bank's interest in good governance to the failure of its structural adjustment programmes. 'Governance provides a new tool-kit, an instrument of control, an additional conditionality for the time when the traditional blame-the-victim defence again becomes necessary'.³⁹⁰

Secondly, we find criticisms of the Bank's assumptions regarding the nature of politics. Manor says, '...we see analysts in powerful development agencies - including the World Bank...setting out a sanitised notion of politics which implies naïve expectations about how politicians actually behave when reforms are being implemented.'³⁹¹ Parekh argues, 'The principles of good government can be genuinely universal (in their scope and content) and binding only if they are freely negotiated by all involved and grounded in a broad global consensus. It would be wholly naïve to imagine that all governments and all men and women everywhere will ever agree on them'.³⁹² Leftwich also refers to the naïve assumptions of good governance, which 'seemed to assume that there were no inherent tensions, conflicts or difficult trade-offs over time between the various goals of development - such as growth, democracy, stability, equity and autonomy'.³⁹³

Anti-Corruption at the World Bank

Anti-corruption, as now exists, did not develop concurrent with governance, as one would expect. Instead, it was still seen at the time as too politically sensitive by the Bank's General Counsel, senior management and the majority of Bank staff.³⁹⁴ According to Bottelier, 'The subject of corruption was regarded as too difficult and controversial to deal with outside the context of Bank funded projects,

³⁸⁷ World Bank (1988). *Adjustment Lending*. Washington DC: World Bank, p. 3, cited in Callaghy, T. (1990). 'Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria'. In Nelson, J. (ed). *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*. Princeton: Princeton University Press, p. 318 (emphasis added by Callaghy).

³⁸⁸ Abrahamsen, R., (2000). *Disciplining Democracy: Development Discourse and Good Governance in Africa*. London: Zed Books Ltd., p. 42.

³⁸⁹ Martin, B. (2000). *New Leaf or Figleaf? The Challenges of the New Washington Consensus*. London: Bretton Woods Project & Public Services International.

³⁹⁰ George, S. & Sabelli, F. (1994). *Faith and Credit: The World Bank's Secular Empire*. London: Penguin Books, p. 142.

³⁹¹ Manor, J. (1998). 'Democratisation and the Developmental State: The Search for Balance'. In Robinson, M. & White, G. (eds). *The Democratic Developmental State: Politics and Institutional Design*. Oxford: Oxford University Press, p. 129.

³⁹² Parekh, B. (1992). 'The Cultural Particularity of Liberal Democracy'. *Political Studies/Special Issue: Prospects for Democracy*. Vol. XL, p. 173 (emphasis in original).

³⁹³ Leftwich, A. (2000). *States of Development: On the Primacy of Politics in Development*. Cambridge: Polity Press, p. 129.

³⁹⁴ Interview with Mike Stevens, 2 February 2000, Washington D.C.

or as not important enough to warrant the Bank's explicit attention.³⁹⁵ However, it would be a mistake to believe the Bank was not interested in corruption until it developed a concrete policy in 1997. Although corruption itself was rarely mentioned in earlier documents, there is at least one early report primarily concerned with it. This is a 1983 paper by Gould and Amaro-Reyes, entitled 'The Effects of Corruption on Administrative Reform: Illustrations from Developing Countries'.³⁹⁶ This paper provides a brief survey of empirical literature with examples from Asia (the Philippines, Malaysia, Thailand, India, Indonesia), Africa (Ghana, Nigeria, Zaire, Uganda), Latin America (Mexico) and the Middle East (Lebanon). It also reflects the contemporary discourse on limiting the role of the state, highlighting evidence that suggests that government interference in the economy opens up opportunities for corruption and breeds investor uncertainty.³⁹⁷ Gould and Amaro-Reyes declare the timely importance of their paper because, 'Governments and international donors have increasingly turned their attention to the importance of management in development. Moreover, corruption has become critical as governments struggle with alternative development strategies, administrative arrangements, and implementation problems'.³⁹⁸ Here the authors draw a definite link between structural adjustment and a concern with corruption. It is thus surprising that this is the only example of work published by the Bank directly focused on corruption until the 1990s, when the efficacy of adjustment was already widely questioned.

As with the governance agenda, the Bank's General Counsel played an important role in dictating what the Bank could and could not do with anti-corruption.³⁹⁹ There is no real indication why corruption work was still considered to be 'taboo', while other areas covered as 'governance' were open for attention. Despite objections, however, work on corruption did go in within the Bank under a number of guises. Some staff members did feel that it was a question of development effectiveness, and should therefore be on the Bank's agenda, despite the lack of a forum for discussions.

It is very difficult to find consensus within the Bank regarding which department originally initiated work on anti-corruption. There is no documentary evidence, so instead I have turned to interviews with Bank staff for clarification. I received several contradictory responses. According to Mike Stevens, a member of the original team who wrote the 1992 governance report, procurement specialists primarily concerned with the use of Bank resources originally raised the issue.⁴⁰⁰ However,

³⁹⁵ Bottelier, P. (1998). 'Corruption and Development'. Remarks for the International Symposium on the Prevention and Control of Financial Fraud, Beijing, 19 October, p. 1. Available at <http://www.worldbank.org/html/extdr/offrep/eap/pbsp101998.htm>.

³⁹⁶ Gould, D. & Amaro-Reyes, J. (1983). 'The Effects of Corruption on Administrative Performance: Illustrations from Developing Countries'. World Bank Staff Working Papers No. 580, October. Washington DC: The World Bank. This publication contains a forward by Pierre Landell-Mills, another Bank specialist on corruption, who commissioned the paper as background material for the 1983 *World Development Report*, which Landell-Mills directed.

³⁹⁷ Gould, D. & Amaro-Reyes, J. (1983). 'The Effects of Corruption on Administrative Performance', pp. 15, 17.

³⁹⁸ Gould, D. & Amaro-Reyes, J. (1983). 'The Effects of Corruption on Administrative Performance', p. 2.

³⁹⁹ In addition to his own work, cited throughout this chapter, the significance of his role is highlighted in Schlemmer-Schulte, S. & Tung, K. (eds) (2001). *Liber Amicorum Ibrahim F.I. Shihata: International Finance and Development Law*. The Hague: Kluwer Law International.

⁴⁰⁰ Interview with Mike Stevens, 2 February 2000, Washington D.C.

Jean-Jacques Raoul, the Manager of the Procurement Policy and Services Group, disagrees. He says that procurement specialists were 'naïve' and did not understand the scope of fraud occurring under Bank contracts. He also points out that it was not until Wolfensohn came on board that they really considered making changes to policy to deter fraud and corruption in the procurement process.⁴⁰¹

Helen Sutch, Sector Manager of the Public Sector Group, claims to be the first Bank employee to work on anti-corruption operations in the field, pioneering the Bank's approach with Mike Stevens. My understanding is that work originated in the Africa (AFR) Region, and I clarified this seeming contradiction with Stevens. According to Stevens, AFR did indeed do the first work on corruption but only within the context of good governance. Sutch was the first to do operational work on corruption but only after Wolfensohn had committed the Bank to working on it. AFR was therefore first conceptually while the Europe and Central Asia Region (ECA) was first operationally.⁴⁰² In late 1996, Sutch was working in the field in an Eastern European country and was approached by the Prime Minister, who wanted to do work on corruption with the Bank. He insisted that this work remain confidential until such a time as he felt confident making it public. This took eighteen months, by which time the Bank had release its 1997 report enabling it to conduct such work in the open.⁴⁰³

Clearly, these individuals and the departments they work in contributed to the early strategy on corruption within the Bank; however, there is not enough corroborative evidence to work with at this point, but there is documentary evidence to highlight three important individuals who publicly led anti-corruption at the Bank: Petter Langseth, Peter Eigen and James Wolfensohn, the current president.

Early Work by EDI

As early as 1990, the Bank's Economic Development Institute (EDI) ⁴⁰⁴ expressed an interest in corruption in the context of civil service improvement. During a one-week workshop in December 1989 organised by EDI, attendees highlighted areas of concern in the civil service. The most often cited problems included low morale, pressures on resources, brain drain, lack of responsiveness to the public, excessive politicisation and, finally, corruption.⁴⁰⁵ However, the word 'corruption' was not repeated throughout the rest of the workshop review document, which instead discussed 'service delivery', morale, pay, 'ghost' workers, 'accountability' and 'clear ethical standards'. Nevertheless, the document remains significant as evidence that some staff within the Bank were concerned with the impact of corruption on its programmes long before an official strategy developed, and may have been testing the water at this time.

⁴⁰¹ Interview with Jean-Jacques Raoul, 9 January 2001, Washington DC.

⁴⁰² Stevens, M. (2001). Email to the author, 2 February.

⁴⁰³ Interview with M. Helen Sutch, 8 January 2001, Washington DC.

⁴⁰⁴ Now known as the World Bank Institute (WBI), as a result of a recent merger between the Learning and Leadership Centre, which provided training for staff, and EDI, which provided training for clients.

⁴⁰⁵ Adamolekun, L. & Shields, E. (1990). 'Civil Service Improvement'. *EDI Review*, July, p. 5.

In the early 1990s, Petter Langseth (EDI) established service delivery surveys (SDSs)⁴⁰⁶ of ordinary people in Africa. Because Bank funding was unavailable at the time for work of this kind, he instead approached Scandinavian donors for the money. The surveys led to workshops designed to start debates that would lead to the development of action plans for anti-corruption. These activities were still seen as outside the Bank's mandate; however, Langseth had high-level local support, including Judge Wairoba (of the Wairoba Report fame) in Tanzania⁴⁰⁷ and the Inspector General of Uganda, which may have helped rally Bank support, or at least tolerance, for his work. According to Langseth, 'EDI only becomes involved *on invitation by the government*... This is in accordance with the policy articulated by the Bank's President and serves to protect the institution from any suggestion that it is interfering with the internal politics of the client country.'⁴⁰⁸ It has been said that, 'Langseth was able to demonstrate to sceptics in the Bank that it was possible to become engaged in anti-corruption work without courting controversy, provided the work was implemented with a partner NGO'.⁴⁰⁹

Work on corruption remained active and quite high profile in EDI thanks to Langseth's untiring support for the topic. A large body of literature emerged during this period, as one can see in Appendix 5. During the seven-year period, 1990-1997, at least twenty-nine documents produced by EDI directly addressed corruption within a wide range of topics. EDI's specialisation in providing training for its borrowing clients is reflected within the literature, with the majority used to arrange workshops on a range of governance issues (fourteen) or to train journalists and parliamentarians (eleven), and the rest looking at the use of surveys in individual country context (four). There was little empirical research produced by EDI at this time, no suggestion of relating its work to Bank policy and, importantly, almost all of its work on corruption was based in Sub-Saharan Africa, where Langseth worked as Chief Technical Advisor to the Civil Service Reform Program in Uganda.⁴¹⁰

⁴⁰⁶ The SDS is used to measure sectoral performance by surveying both users and suppliers of public services in order to improve results and capacity. See Langseth, P. (1995). 'Service Delivery Survey (SDS): A Diagnostic Tool'. Paper presented at the Workshop on Civil Service Reform in Anglophone Africa, Somerset West, South Africa, 24-28 April.

⁴⁰⁷ The Wairoba Commission, headed by the former Tanzanian Prime Minister J.S. Wairoba, was appointed by President Mkapa in January 1996 to report on corruption within the public service. It produced a report of findings in December 1996. The move surprised many. As Riley points out, 'very few African governments investigate themselves, though they are very willing to investigate their political opponents'. Riley, S. (1998). 'Anti-Corruption Strategies in Africa'. In Robinson, M. (ed). *Corruption and Development*. London: Frank Cass, pp. 143-144. See also, Wairoba, J.S. (1997). 'Corruption and the State II: Extracts from Joseph Wairoba's Report'. *Soundings*. 7(Autumn), pp. 198-208. Six months after the report was published, Mkapa had not acted decisively on many of its recommendations, refusing to declare his assets and disciplining few of the individuals named within his own party. Kilimwiko, L. (1997). 'Tanzania dithers over corruption'. *Mail & Guardian*, 20 August.

⁴⁰⁸ Langseth, P. (1997). 'EDI's New Approach to Governance: Principles and Modus Operandi for EDI's Governance Work'. In Kpundeh, S. & Langseth, P. (eds). *Good Governance for Private Sector Development and Investment in Africa: A Regional Ministerial Seminar*. Entebbe, Uganda, 16-19 March, p. 14. (Emphasis in original)

⁴⁰⁹ In this case, Transparency International. Galtung, F. & Pope, J. (1999). 'The Global Coalition Against Corruption: Evaluating Transparency International'. In Schedler, A., Diamond, L. & Plattner, M. et al (eds). *The Self-Restraining State: Power and Accountability in New Democracies*. London: Lynne Rienner Publishers, p. 266.

⁴¹⁰ This could provide one explanation for why the Bank's current work on corruption is so much more advanced in Uganda than in many other African countries.

Another early supporter of anti-corruption at the Bank was former staff member Peter Eigen, the founder of TI. In 1990, Bank staff in Africa met in Swaziland to discuss the recently published LTPS. At this meeting, Eigen, then regional director for East Africa in Nairobi, brought corruption onto the table for discussion. 'The response was enthusiastic, and it was agreed that the time had come to develop an anti-corruption agenda within the World Bank'.⁴¹² They were disappointed at the reaction from Washington, especially the Legal Department, who voiced concerns because of the non-political mandate. Galtung and Pope tell us that

This viewpoint seemed to dominate senior and middle-management circles. In spite of encouragement from the field (very likely generated from what staff there were experiencing), from within the Bank itself, and from some (but by no means all) political leaders in the Africa region, it was felt at the time that to tackle corruption would so clearly interfere with the Bank's charter's claimed 'requirement' to abstain from 'political' considerations in lending decisions as to completely rule out explicit action on its part.⁴¹³

⁴¹¹ The bulk of this section is drawn from Galtung, F. & Pope, J. (1999). 'The Global Coalition Against Corruption', pp. 257-282. The reason for this is quite simple - there is no other large-scale study of the organisation, despite the important role it has played in bringing international attention to corruption. Work that has been done tends to focus solely on the CPI and its methodology. One exception, cited within Galtung & Pope, is a 1996 piece by Espinosa, entitled 'Corrupción: Una agenda necesaria', in Espinosa, S. (ed). *Corrupción: Epidemia de fin de siglo*. Quinto: ILDIS, Cedep, & Fundación J. Peralta, pp. 77-93. He is quoted in Galtung & Pope as saying that TI is

hija legítima de padre neoliberal y de madre modernizadora tanto porque la transparencia es una condición de credibilidad para el proceso privatizador, para la inversión extranjera y para la ayuda internacional al desarrollo, como porque los neoliberales han hecho de la afinidad y mutua apetencia entre Estado omnipotente y corrupción un eficaz instrumento de propaganda sobre la necesidad de reducir el tamaño del estado (Espinosa, p. 82; cited in Galtung & Pope, note 13, p. 280).

Roughly translated, Espinosa says that TI is 'the legitimate daughter of the neoliberal father and modernisation mother, so much because transparency is a condition of credibility for the privatisation process, for external influence and for international aid for development; also because the neoliberals have made an affinity and mutual link between the omnipotent State and corruption an efficient instrument of propaganda about the necessity to reduce the size of the state'. Galtung and Pope offer no further analysis on this quite stark observation on Espinosa's part.

⁴¹² Galtung, F. & Pope, J. (1999). 'The Global Coalition Against Corruption', pp. 257-258.

⁴¹³ Galtung, F. & Pope, J. (1999). 'The Global Coalition Against Corruption', p. 258. In a footnote to the above passage, Galtung and Pope write,

The prohibition against taking political considerations into account in lending decisions was clearly designed to provide protection for countries with one-party state systems of government - monarchies and the like - and to prevent discrimination on constitutional grounds. In our view, it cannot reasonably be read as excluding the Bank from taking into account the likelihood that elites would loot the treasury and distort public decisions, leaving the people of the country to meet the costs. We see their view as substantiated by the Bank's 180-degree U-turn on the issue and this without any amendment to the charter. (note 3, p. 279).

The authors do not address the historical context behind the inclusion of the non-political mandate in the Bank's articles nor its role in protecting the Bank itself against outside political influence, shielding it from external criticism and ensuring its integrity on the world's capital markets.

Here the authors refer to the time when Shihata, the General Counsel, largely dictated the Bank's policies regarding governance issues.

Discouraged, Eigen decided to take early retirement.⁴¹⁴ He travelled around the world, meeting with interested people to find support for an NGO with one focus - to combat corruption, and was fortunate enough to have financial support from the German technical assistance agency (GTZ) in order to do this. By 1992, he had drummed up enough support to form a board of directors and an advisory council, and TI was established. Its original aim as to curb corruption in the South and eliminate bribe-paying in the North. Importantly, it was not established to expose individual acts of corruption, but instead to work with partners within countries in order to foster long-term efforts for reform.

Several donor agencies were represented at the TI launch in May 1993, including the Bank, as well as representatives from national governments in the South and multinational corporations (MNCs). Staff had received an invitation from TI, who invited several donor agencies and international organisations. Despite not having an official mandate to be there, interested staff persuaded their managers that it was 'important that someone from the Bank was there to show interest and to understand where TI might be heading'.⁴¹⁵ After this meeting, these Bank staff tried to get a small grant of about \$250,000 for TI's work from Lewis Preston, then Bank president, through the Institutional Development Fund (IDF). After they put together the grant application, a committee reviewed it, but the General Counsel would not agree to allow it. The applicants then got five VPs, including the VP for Africa, to sign a special letter to Preston, asking him to overrule Shihata. Their application was unsuccessful.⁴¹⁶

Leadership Commitment to Fighting Corruption

One reason for this hesitant approach was therefore a lack of leadership commitment. As one senior Bank staff member interested early on in corruption was told by his boss, '...don't say anything. Wait for a signal from senior management'.⁴¹⁷ This signal came with the arrival of Wolfensohn in 1995. At that time, most Bank staff still believed that corruption was too political and too difficult in

⁴¹⁴ I have been told that Eigen believed that his chance of advancement in the Bank had been damaged due to his insistence on raising the anti-corruption issue and thus resigned. This has not been confirmed though. Confidential personal communication.

⁴¹⁵ Stevens, M. (2001). Email to the author, 2 February.

⁴¹⁶ A senior World Bank staff member told me that the memo received in reply was a 'very big slap on the wrist for even daring to become involved in this nonsense'.

⁴¹⁷ Interview with Mike Stevens, 2 February 2000, Washington DC.

terms of translating into practice on the ground.⁴¹⁸ Despite this, Wolfensohn 'was determined to mainstream the issue within the core of Bank activities.'⁴¹⁹

Wolfensohn has often been credited with bringing corruption into the Bank's agenda. Celarier places great importance on his decision to begin spot audits of projects in 1996, starting with Poland, Kenya and Pakistan. According to the Bank's chief procurement officer at the time, "'We want to put the fear of God in them'".⁴²⁰ These are strong words presaging a strong stance. In the *Guardian*, Frank Vogl, vice-chairman of TI-USA and a former director of external affairs at the Bank, was quoted as saying, "'It is to Wolfensohn's great credit that he embraced the corruption question'".⁴²¹ The author of the article himself asserts that 'Wolfensohn has made it [the Bank] overtly more political' by conducting a 'public crusade against corruption world-wide', despite earlier fears of 'being seen as overtly political and interfering in the internal affairs of client nations'.⁴²² Shihata also gives credit to Wolfensohn, maintaining that 'the Bank's explicit concern with corruption as a general development issue came with the assumption of James D. Wolfensohn of its Presidency in mid-1995. Soon thereafter, he highlighted the issue in his first speech before the Annual Meeting of the Board of Governors (in September 1995). He then asked this writer, as the Bank's General Counsel, to review all proposals and consider initiatives for possible actions by the Bank'.⁴²³

Wolfensohn sees Shihata's contribution in a different light. Speaking to the World Congress of Accountants in Paris in 1997, he said, 'Take corruption. Eighteen months ago I couldn't talk about corruption. Eighteen months ago I was told that corruption was a political not an economic issue. Since that time we have come a long, long way.'⁴²⁴ In another speech at the US State Department in 1999, he explained,

It is true that when I came to the World Bank, I was given an admonition by our general counsel that I should read the Articles of the Bretton Woods agreements. In there it says that I am to deal with economic matters and that as an international civil servant, I should not, if I want to keep my job, talk about political matters. And I was then told that there was one word I could not use, which was the "C" word, the "C" word being corruption. Corruption, you see, was identified with politics, and if I got into that, I would have a terrible time with my Board. Well, I then visited quite a number of countries, and I

⁴¹⁸ Interview with Mike Stevens, 2 February 2000, Washington D.C.

⁴¹⁹ Galtung, F. & Pope, J. (1999). 'The Global Coalition Against Corruption', p. 267.

⁴²⁰ Quoted in Celarier, M. (1996). 'Corruption: The Search for the Smoking Gun'. *Euromoney*, p. 37.

⁴²¹ Quoted in Brummer, A. (1999). 'The People's Plutocrat'. *The Guardian (London)*. 12 June, p. 6.

⁴²² Brummer, A. (1999). 'The People's Plutocrat', p. 6.

⁴²³ Shihata, I. (1997). 'Corruption and the Role of the World Bank'. *Dickinson Journal of International Law*. 15(3), p. 475.

⁴²⁴ Wolfensohn, J. (1997). 'Accountants and Society: Serving the Public Interest'. Remarks to the World Congress of Accountants, Paris, 26 October.

decided in 1996 that I would redefine the “C” word not as a political issue but as something social and economic.⁴²⁵

It would then appear that Wolfensohn’s often quoted 1996 speech where he declared, ‘we need to deal with the cancer of corruption’,⁴²⁶ was a way of ‘throwing down the gauntlet’ to Shihata and making very public his policy intentions.

During his first year in office he invited a TI group to Washington DC to conduct a half-day seminar on corruption for him and his senior staff; thereafter, TI was engaged as a consultant to assist the World Bank in developing its own strategy against corruption.⁴²⁷ Here, Galtung and Pope refer to the creation of the Corruption Action Plan Working Group in mid-1996, of which TI was a member.⁴²⁸ The group eventually drafted the landmark 1997 publication, *Helping Countries Combat Corruption: The Role of the World Bank*. This document sets out the Bank’s strategy regarding anti-corruption and continues to guide its evolution.⁴²⁹

One very interesting trend during Wolfensohn’s tenure as President has been the transition in emphasis from governance work to fighting corruption. In 1996, the Bank explained that it had ‘taken many steps to address corruption, internally and externally’.⁴³⁰ These steps included:⁴³¹

⁴²⁵ Wolfensohn, J. (1999). ‘Opening Remarks’. Conference on Corruption, US State Department, Washington DC, 24 February.

⁴²⁶ Wolfensohn, J. (1996). ‘1996 Annual Meetings Speech’. Address to the Board of Governors, World Bank/IMF, Washington DC, 1 October (emphasis in original).

⁴²⁷ Galtung, F. & Pope, J. (1999). ‘The Global Coalition Against Corruption’, p. 267.

⁴²⁸ The group was co-ordinated by Mike Stevens and included Ladipo Adamolekun, Peter Calderon, Michael Cohen, Alejandro Escobar, Gunnar Eskeland, Louis Forget, Anthony Gaeta, Cheryl Gray, Daniela Gressani, Rohil Hafeez, Ernesto Henriod, Petter Langseth, Kathryn Larrecq, Karin Millett, John Nellis, Klaus Rohland, Malcolm Rowat, Alfonso Sanchez, Sabine Schlemmer-Schulte, Paul Siegelbaum, Raghavan Srinivasan, Frederick Stapenhurst, Stephen Weissman, Jim Wesberry and Myla Williams, with additional support from Peter Eigen and Jeremy Pope of TI. Many of these participants are still actively involved in anti-corruption work both within and outside the Bank. Daniel Kaufmann, an important force in the Bank’s on-going anti-corruption effort as Chapter Four will indicate, was working at Harvard as a visiting scholar at this time. However, while there he published a paper entitled ‘Listening to Stakeholders Spell the C..... Word: The “Tackling-Corruption-is-Taboo” Myth meets some Evidence’. An annotated bibliography of anti-corruption sources published by the World Bank describes this paper as advocating that the Bank emphasise reducing corruption in its approach to lending. Prior to this, Kaufmann worked as Bank Chief of Mission in Ukraine, and other papers he published at Harvard focus on corruption in Ukraine. It is interesting that he was away from the Bank working on corruption at the time when the Bank’s original anti-corruption strategy was being devised, and then returned from Harvard to head WBI’s anti-corruption initiatives.

⁴²⁹ World Bank (1997). *Helping Countries Combat Corruption: The Role of the World Bank*, Washington DC: The World Bank, p. 3.

⁴³⁰ World Bank (1996). ‘Bank Takes Anti-Corruption Stance’. *World Bank News*. 11 October.

⁴³¹ World Bank (1996). ‘Bank Takes Anti-Corruption Stance’.

<i>Economic Policy</i>	<i>Institutional Reform</i>
<i>Reform</i>	
Economic reform	Financial management reform
Tax reform	Civil service reform
Regulatory reform	Procurement
Privatisation	Governance
Sector policies	Fiduciary control
	Guarding against corruption in Bank projects

Governance, as an overall objective for the Bank, has here been relegated to a subset of objectives under the auspices of fighting corruption. Wolfensohn has successfully taken a policy agenda suggested by predecessors and put his own personality on it by changing its focus to a subject about which he clearly feels strongly. Indeed, he has been said to have 'staked his reputation on efforts aimed at stamping out corruption'.⁴³² Indeed, former US Deputy Secretary of the Treasury, Stuart Eizenstat, has warned, 'The future credibility of our multilateral development institutions may very well depend on their sensitivity in dealing with [corruption]'.⁴³³ This has had a tremendous impact on the manner in which the policy has developed since the 1997 document.

Conclusion: The 1997 Strategy Document

In his foreword to the 1997 strategy document, Wolfensohn declares: 'The time for action is now'.⁴³⁴ This document sets out the Bank's strategy while allowing for its evolution. It provides the framework but not the details. Significantly, it sets out a four-pronged strategy for the Bank's work on corruption:

- Preventing fraud and corruption within Bank-financed projects
- Helping countries that request Bank support in their efforts to reduce corruption
- Taking corruption more explicitly into account in CAS, country lending considerations, the policy dialogue, analytical work and the choice and design of projects
- Adding voice and support to international efforts to reduce corruption.⁴³⁵

As the next chapter shows, this remains the framework for the Bank's anti-corruption programme.

⁴³² World Bank (1999). 'World Bank Chief Highlights Anti-Corruption Fight'. *Development News*. 12 October.

⁴³³ Eizenstat, S. (1999). 'An Anti-Corruption and Good Governance Strategy for the Twenty-First Century'. Speech given at the Global Forum on Fighting Corruption, Washington DC, 24 February.

⁴³⁴ World Bank (1997). *Helping Countries Combat Corruption*, p. 2.

⁴³⁵ World Bank (1997). *Helping Countries Combat Corruption*, p. 3. The next chapter looks at these four strategies in detail.

The 1997 strategy document highlights particular areas of concern for the Bank. Firstly, anti-corruption work is explicitly linked with structural adjustment. It argues that it is important to continue to pay close attention to economic reforms. Answering critics of adjustment, the Bank argues, 'The answer is not to forgo reform, but to consider and help strengthen institutional capacity in tandem with policy design'.⁴³⁶ Secondly, because of this tie to adjustment programmes and the Bank's legal requirement to lend directly to governments, anti-corruption work is concerned only with public and not private sector corruption. However, it believes that its public sector work can help eliminate corruption in the private sector 'by helping countries strengthen the legal framework to support a market economy and by encouraging the growth of professional bodies that set standards in areas like accounting and auditing'.⁴³⁷ Thirdly, civil society and the media are seen as 'the two most important factors in eliminating systemic corruption in public institutions'.⁴³⁸ Referring to existing work, it points out that 'EDI normally seeks both a government and a civil society partner'.⁴³⁹ Lastly, considerations for lending decisions must look at the following:

- Whether Bank projects are likely to be affected by corruption during design or implementation, or thereafter.
- The extent to which the achievements of development objectives is compromised by corruption.
- The willingness of the government to act to control corruption if it threatens the effectiveness of Bank projects and/or economic and social development.⁴⁴⁰

If problems are found, the Bank will reassess the particular project, sector or the entire country if need be, but always within the scope of its Articles of Agreement.⁴⁴¹

In other words, the keys to the Bank's anti-corruption strategy are as follows:

- economic reform through structural adjustment
- strengthening institutional capacity
- focusing on the public sector
- helping the private sector through legal and other reforms
- assisting civil society and the media
- taking corruption into account when making lending decisions
- finding the necessary political will

⁴³⁶ World Bank (1997). *Helping Countries Combat Corruption*, p. 6.

⁴³⁷ World Bank (1997). *Helping Countries Combat Corruption*, pp. 11-12.

⁴³⁸ World Bank (1997). *Helping Countries Combat Corruption*, p. 44.

⁴³⁹ World Bank (1997). *Helping Countries Combat Corruption*, p. 47, note 46.

⁴⁴⁰ World Bank (1997). *Helping Countries Combat Corruption*, p. 51.

⁴⁴¹ World Bank (1997). *Helping Countries Combat Corruption*, p. 52.

- and ensuring that all must take place within the framework provided by the Articles of Agreement.

The next chapter looks at the evolution of the Bank's anti-corruption programme and addresses each of these issues in turn.

Chapter 4: The World Bank's Anti-Corruption Programme

Previous chapters have built a theoretical and historical context for the Bank's anti-corruption programme. This chapter will set out the programme in its current incarnation, as it stands in early 2001. I have broken the chapter into four sections based upon the Bank's own four-pronged anti-corruption strategy:

- Preventing fraud and corruption within Bank-financed projects
- Helping countries that request Bank support in their efforts to reduce corruption
- Taking corruption more explicitly into account in CAS, country lending considerations, the policy dialogue, analytical work and the choice and design of projects
- Adding voice and support to international efforts to reduce corruption.⁴⁴²

All Bank strategy documents since 1997 refer to these four prongs, and the Bank's anti-corruption website also presents material in this fashion (see Appendix 6). Therefore, it is useful to analyse the programme in this same way.

I deliberately refer here to 'strategy' rather than 'policy'. There is no official operational policy on anti-corruption activities for the Bank. According to the Bank's Operational Manual, operational policies (OPs) 'are short, focused statements that follow from the Bank's Articles of Agreement, the general conditions, and policies approved by the Board. OPs establish the parameters for the conduct of operations; they also describe the circumstances under which exceptions to policy are admissible and spell out who authorises exceptions'.⁴⁴³ There are OPs on the environment, gender, dams and tobacco, among others. Instead of an OP on corruption, there are instead policies that 'govern the use of Bank funds'.⁴⁴⁴ This includes policies on procurement, the disbursement of funds and audit procedures. However, these only fit into the first prong of the Bank's strategy: preventing fraud and corruption within Bank-financed projects. The Bank instead has a 'strategy' on corruption that encompasses the others, with no officially delineated parameters.

Staff working on corruption do not seem, in the main, to distinguish between policy and strategy. Either they fail to recognise the difference, or feel it is unimportant to differentiate the two. When interviewed, John Heilbrunn indicated that the 1997 document, *Helping Countries Curb Corruption*, is a policy statement, because it was cleared by the Board.⁴⁴⁵ However, all documents published by the Bank have a lengthy clearing process with ultimate approval by the Board, and this

⁴⁴² World Bank (1997). *Helping Countries Combat Corruption: The Role of the World Bank*. Washington DC: World Bank, p. 3.

⁴⁴³ World Bank (2001). 'The World Bank Operational Manual'. Internet. Accessed February 2001. Available at <http://wbinfo018.worldbank.org/institutional/manuals/opmanual.nsf/textdefinition1?opennavigator>.

⁴⁴⁴ See <http://www.worldbank.org/whatwedo/policies.htm>.

⁴⁴⁵ Interview with John Heilbrunn, 1 February 2000, Washington DC.

has never been the sole determinant for making official policy statements. Mike Stevens, an original architect of the programme in Poverty Reduction and Economic Management (PREM) but now in the Africa region, pointed out a specific passage in the 1997 document and described it as the policy statement: 'Where corruption is widespread and affects a country's development objectives and Bank-financed projects, the Bank needs to raise the issue with borrowers and seek ways to help governments and civil society address it.'⁴⁴⁶ This statement was also highlighted as Bank 'policy' by Anita Baker, Manager of the Office of Professional Ethics (OPE) at the International Institute for Public Ethics Year 2000 Conference.⁴⁴⁷ Cheryl Gray, Director of PREM's Public Sector Thematic Group, contradicted these co-workers, saying that there is no policy statement in the form of one document, describing the 1997 document as a report and nothing more than that.⁴⁴⁸

This lack of policy may be partly due to the complexity of the strategy as it is being implemented. But it is interesting that there is a policy on gender but not on corruption, as gender can be as all-encompassing as the Bank claims its work on corruption is, and is often as controversial.⁴⁴⁹ One explanation for this is that there already exists a significant body of scholarly literature on the impact of gender on development. A general consensus exists between donors, academics and NGOs that women's needs must be taken into account when both designing and implementing development projects, with evidence taken over several years to support this.⁴⁵⁰ Although most agree that corruption has a negative overall impact on economic development, a similar consensus does not exist on the relationship between good governance and development.

Since the early 1990s, the majority of work on this relationship has been published by the Bank or by academics who regularly work as Bank consultants. Bank documents often refer to its own work when making claims about this relationship, and the same papers are cited repeatedly. The main strategy document, published in 2000, refers to the 'now well-documented contribution of good governance to growth',⁴⁵¹ pointing to a list of sources in its Annex. Out of the fifty documents identified, forty-two have been written by Bank staff or consultants. Another interesting example comes from a draft paper from the Operations Evaluations Department (OED) preparing a framework for an evaluation of the anti-corruption programme. This paper reiterates that, 'A wide consensus has also recently emerged that corruption is a symptom of failed governance [referring to the strategy

⁴⁴⁶ World Bank (1997). *Helping Countries Combat Corruption*, p. 7; Interview with Mike Stevens, 2 February 2000, Washington DC.

⁴⁴⁷ Baker, A. (2000). 'Ethics: The View from Multilateral Institutions – WBG: A Framework of Integrity'. Presentation at the International Institute for Public Ethics Year 2000 Conference, 27 September (mimeo).

⁴⁴⁸ Interview with Cheryl Gray, 2 February 2000, Washington DC.

⁴⁴⁹ For example, in countries where women's rights are restricted by law, some Middle Eastern countries for example, requiring that their interests are taken into account in project design and implementation can be very controversial indeed.

⁴⁵⁰ The literature on this topic is vast, but some interesting starting points include, Visvanathan, N. et al. (eds). (1997). *The Women, Gender & Development Reader*. London: Zed Books Ltd.; Porter, M. & Judd, E. (eds). (1999). *Feminists Doing Development: A Practical Critique*. London: Zed Books Ltd.; Dasgupta, P. (1993). *An Inquiry into Well-Being and Destitution*. New York: Oxford University Press; Sen, A. (1999). *Development as Freedom*. New York: Alfred A. Knopf; Dalla Costa, M. & Dalla Costa, G. (eds). (1993). *Paying the Price: Women and the Politics of International Economic Strategy*. London: Zed Books Ltd.

⁴⁵¹ World Bank (2000). *Reforming Public Institutions & Strengthening Governance: A World Bank Strategy*. Washington DC: World Bank, p. 2.

document]'.⁴⁵² A total of forty-five texts are cited in the bibliography, and thirty-three of these have been written by World Bank or IMF staff or consultants. So the evaluation is being designed using the work that the Bank itself produces to justify the direction that the programme is taking. This seems a narrow basis for a 'wide consensus'.⁴⁵³ Furthermore, of the seventy-nine papers listed on WBI's website, all published between 1997 and 2000, Daniel Kaufmann is author or co-author on forty-eight of them. This is in addition to his non-research based work as manager of WBI's governance division, which one can only assume is a very busy position in its own right. Clearly, as manager, one could argue that Kaufmann would naturally be the driving force behind WBI's work in corruption. However, as this research drives the direction the Bank's programme is taking, it does raise the question of the usefulness of a great deal of WBI's published research.

Even Peter Eigen of TI has expressed concern on this point, saying,

The World Bank...plays a significant, often leading, role in research and the development of new concepts. The same organisation that is responsible for the arduous task of putting such concepts into practice, simultaneously assesses the performance of the development system critically and recommends which future practice ought to be implemented – immediately. The conflicting roles of giving conceptual guidance and being the world's largest player in development assistance lead the World Bank and its management into frequent crises of credibility. There is a need to separate out roles of design and implementation from that of evaluation – as any good auditor will tell you.⁴⁵⁴

Over the past three years, the Bank's anti-corruption programme has continued to gained momentum, developing as its research develops. On the one hand, the Bank's work, by necessity, must develop in incremental stages, as it is conducting work that has never before been attempted on this scale or by an international agency such as itself. This makes developing policy very difficult. The work is 'evolving',⁴⁵⁵ and an operational policy with defined parameters would not allow the rather *ad hoc* implementation that results from not knowing where the programme will go next. The research base is too narrow and insufficiently diverse to inform the Bank's broad and diverse anti-corruption programme. However, it could also be argued that this only provides an excuse for work that is done haphazardly, organised by a small group of people using largely their own work to both design the programme and justify positions already decided upon.

In the follow-up report to the 1997 strategy document, the Bank's approach to anti-corruption is described as follows:

⁴⁵² Huther, J. & Shah, A. (2000). 'Anti-corruption Policies and Programs: A Framework for Evaluation'. World Bank Policy Research Working Paper No. 2501, December, p. 2.

⁴⁵³ I presented this methodological weakness to Mr. Shah in an email, but he would not comment on it.

⁴⁵⁴ Eigen, P. (2000). 'Introductory statement by Peter Eigen for the press conference on the role of the World Bank in the fight against corruption'. TI Press Release, 31 August. It could be argued that Eigen sees an opportunity here for an expanded role for TI.

The Bank views corruption as a symptom of underlying institutional dysfunction, and thus employs a proactive and holistic approach that attempts to help clients strengthen governance and public sector management, to improve economic policies and legal/judicial systems, and to develop and implement specific anticorruption measures. The Bank has made strengthening borrower capacity a priority through increased lending, enhanced country-level advisory service, and the inclusion of 'good and clean governance' as one of the central pillars of the Comprehensive Development Framework [CDF].⁴⁵⁶

The CDF, which is the cornerstone of Bank strategy under Wolfensohn, is described as,

a holistic approach to development. It seeks a better balance in policymaking by highlighting the interdependence of all elements of development - social, structural, human, governance, environmental, economic, and financial. It emphasises partnerships among governments, donors, civil society, the private sector, and other development actors. Perhaps most important, the country is in the lead, both "owning" and directing the development agenda, with the Bank and other partners each defining their support in their respective plans.⁴⁵⁷

The Bank's anti-corruption assistance programmes reflect both the 'holistic approach' to development prescribed by the CDF and the Bank's overall commitment to long-term capacity building. As a matter of fact, Wolfensohn explains that the key to CDF is good government and combating corruption.⁴⁵⁸ Capacity building does indeed form the basis of the CDF. Often used interchangeably with the terms 'institutional reform' or 'institution building', capacity building has been defined by the Bank in both narrow and broad terms. Narrowly, it is 'the provision of training and materials to build skills within organisations', while broadly, it refers to 'reforms of incentives and institutions as well as strengthening skills and resources'.⁴⁵⁹

Appendix 7 shows a blank CDF matrix, with structural issues in the first 'pillar'. These include good and clean government, the justice system, financial systems and social safety nets and social programs. Partners in this process include the government, multilateral and bilateral institutions, civil society and the private sector.⁴⁶⁰ All sectors within the Bank are encouraged to adopt this CDF approach and 'mainstream' governance activities into their own work, be it health, education, water, transport, and so on. A completed CDF matrix for Bolivia is shown in Appendix 8. Here, specific anti-

⁴⁵⁵ Interview with Brian Levy, 9 January 2001, Washington DC. The Bank's website also refers to its 'evolving strategy'. See <http://www1.worldbank.org/publicsector/anticorrupt/helping.htm>.

⁴⁵⁶ World Bank (2000). *Helping Countries Combat Corruption*, p. 4.

⁴⁵⁷ See <http://www.worldbank.org/cdf>.

⁴⁵⁸ Wolfensohn, J.D. (1999). 'A Proposal for a Comprehensive Development Framework: A Discussion Draft'. 21 January. Available at <http://www.worldbank.org/cdf/cdf.pdf>.

⁴⁵⁹ World Bank (2000). *Reforming Public Institutions and Strengthening Governance*, p. 13.



corruption initiatives are represented by the implementation of a National Integrity System,⁴⁶¹ working in partnership with TI. Other areas with an anti-corruption component include improving regulations, privatisation, participatory projects, decentralisation, and institutional and judicial reform.⁴⁶²

This comprehensive approach to anti-corruption is reflected in all four prongs of its strategy, and especially in the second – ‘helping countries that request Bank support in their efforts to reduce corruption.’ According to the editor of the IMF magazine *Finance & Development*, ‘Like the mythological hydra, corruption is a many-headed foe that insinuates into every part of the social fabric, weakens the body politic, and jeopardises prospects for economic growth’.⁴⁶³ This rather dramatic analogy is illustrative of how the Bank is approaching anti-corruption work – tackling its impact in every sector of the Bank’s work, from public sector management to health to forestry and so on. In order to ‘kill the beast’, the Bank is trying to attack it at its institutional core rather than deal with one ‘head’ at a time.

This CDF-based approach to anti-corruption does not lack controversy and appears to split opinion within PREM and the AFR Region. Gray believes that the AFR Region’s capacity-building work with civil society and community empowerment (see below), leading to ‘bottom-up’ demand for anti-corruption work, is the most exciting work being conducted in this area by the Bank.⁴⁶⁴ However, Sutch is not convinced. She believes that capacity building suggests a lack of skill or ability, as if the people concerned are not intelligent enough to know how to do things properly and just require ‘technical assistance’. This view is very patronising, in her opinion. She asserts that if the demand were there, people would know the steps that need to be taken. However, the current situation benefits those in power, and until that changes, no amount of ‘capacity building’ is going to change that.⁴⁶⁵ Stevens is concerned that the anti-corruption emphasis can get too big and be seen as an end in itself. He thinks they should go back into a broader public sector reform agenda, with the ultimate goal to help LDCs develop more effective government.⁴⁶⁶ Despite these internal concerns, the programme does not show any signs of returning to a simpler and more manageable public sector approach or a move away from the philosophy of capacity building.

⁴⁶⁰ Wolfensohn, J.D. (1999). ‘A Proposal for a Comprehensive Development Framework’, p. 32.

⁴⁶¹ ‘The expression [National Integrity System] is of recent origin, having emerged from discussions within the Transparency International movement and widely popularised by development agencies.’ Transparency International (2000). *TI Source Book 2000*. Berlin: Transparency International, p. 32. TI has produced a Source Book to assist countries in building a National Integrity System, with an emphasis ‘integrity pillars’, including the executive, parliament, the judiciary, civil service, “watchdog” agencies, civil society, mass media and international agencies.

⁴⁶² Wolfensohn, J.D. (1999). ‘A Proposal for a Comprehensive Development Framework’, p. 35.

⁴⁶³ McDonald, I. (2000). ‘From the editor’. *Finance & Development*. 37(2).

⁴⁶⁴ Interview with Cheryl Gray, 2 February 2000, Washington DC.

⁴⁶⁵ Interview with M. Helen Sutch, 8 January 2001, Washington DC. An evaluation conducted by the Swedish development agency, SIDA, backs this up. It found that projects on capacity building too often assumed incorrectly that ‘the beneficiary is willing and able to develop his/her capacity’. SIDA (2000). *The Evaluability of Democracy and Human Rights Projects: A Logframe-related assessment*. SIDA Studies in Evaluation - ITAD Ltd./ODI. Gothenburg: SIDA, p. 53 (emphasis in original).

⁴⁶⁶ Interview with Mike Stevens, 2 February 2000, Washington DC.

The complexity of the CDF approach also means that one has to have a full understanding of how the Bank works in order to evaluate its anti-corruption programme: its lending programmes and products, its evaluation processes, interactions between regions and sectors and its external relations. However, the size of the project undertaken means I must restrict myself to the Bank's key four-prong strategy. As OED points out, '...the menu of potential actions to curtail corruption is very large so a framework is needed that provides guidance on ordering potential actions'.⁴⁶⁷ I have used the Bank's own strategy to guide my evaluation and recommendations, following the logic of Bade Onimode, editor of the 1989 text *IMF, the World Bank and the African Debt*, who stated, 'To evaluate the World Bank's programmes, we should...use their own figures, their own language, to see whether what they set out to do has been done'.⁴⁶⁸ The rest of the chapter sets out this strategy. Where possible, I have tried to provide illustrative examples of work on the ground, moving beyond strategy into implementation.

Preventing⁴⁶⁹ Fraud and Corruption within Bank-financed Projects

The Bank has an obligation under its Articles of Agreement to ensure that the funds it disburses are used for the purpose intended. According to Art.3.5(b), 'The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted'.⁴⁷⁰ In addition, the Bank identifies the 'development effectiveness' of its projects as a reason for its interest in preventing corruption in its own projects.⁴⁷¹ It is also important that the Bank be seen to be doing its part to ensure its own operations are as corruption-free as possible, when it is demanding the same from its borrowers. Therefore, considerable effort has gone into both defining the issue and implementing a highly visible and relatively transparent programme designed to provide oversight into the design and implementation of all Bank projects.

According to Art.1.15(a) of the Bank's 'Guidelines: Procurement under IBRD Loans and IDA Credits (rev. 1/99)',⁴⁷² and Art.1.25(a) of its 'Guidelines: Selection and Employment of Consultants by World Bank Borrowers':

⁴⁶⁷ Huther, J. & Shah, A. (2000). 'Anti-Corruption Policies and Programs', p. 2.

⁴⁶⁸ Cited in Simon, D. (1995). 'Debt, Democracy and Development: Sub-Saharan Africa in the 1990s'. In Simon D. et al (eds). *Structurally Adjusted Africa: Poverty, Debt and Basic Needs*. London: Pluto Press, p. 24.

⁴⁶⁹ In a recent publication, this has changed from 'preventing' fraud to 'minimising' fraud. World Bank (2000). *Helping Countries Combat Corruption: Progress at the World Bank Since 1997*. Washington DC: World Bank, p. 7. This may reflect the acceptance that some minimal level of corruption is to be expected, especially in an organisation the size of the Bank, and this new wording could help deflect criticism if corruption is found which involves Bank staff. I posed this question to Helen Sutch, and she first replied that the change is insignificant. She then paused for a moment and replied that it must be significant and agreed with my conclusion. Interview with Helen Sutch, 8 January 2001, Washington DC.

⁴⁷⁰ World Bank (1944). 'Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)'. Washington DC: World Bank. Art.5.1(g) of the IDA's Articles contains similar wording.

⁴⁷¹ Aguilar, M., Gill, J. & Pino, L. (2000). *Preventing Fraud and Corruption in World Bank Projects: A Guide for Staff*. Washington DC: World Bank, pp. 2-3; World Bank (1997). *Helping Countries Combat Corruption*, p. 29.

⁴⁷² The procurement guidelines were revised to include corruption language in 1997. The 1999 revision was done to include the euro. Interview with Jean-Jacques Raoul, 9 January 2001, Washington DC. The 1997 revision was the result of a paper presented to the Executive Directors entitled, 'The World Bank Procurement Function – Adjusting to Emerging Needs', on 20 November. Document SecM97-854, cited in World Bank (2000). *The World*

- (i) 'corrupt practice' means the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution.
- (ii) 'fraudulent practice' means a misrepresentation of facts in order to influence a procurement process, or the execution of a contract, to the detriment of the Borrower, and includes collusive practices among bidders designed to establish bid prices at artificial non-competitive levels to deprive the Borrower of the benefits of free and open competition.⁴⁷³

Unlike the Bank's more general definition of corruption (see Chapter 3), these have been carefully chosen to reflect the special needs of the Bank and of its Borrowers, and to also reflect the Bank's strong belief in openness and competition as protection against the corruption that might result from monopolistic bidding practices.⁴⁷⁴

On 31 March 1997, the Board endorsed the Bank's Strategic Compact,⁴⁷⁵ which has given \$250 million over a thirty-month period for improvements to Bank procedures, including those for procurement and financial management. For example, \$30 million was spent over a three year period to pay for new procurement⁴⁷⁶ and financial management staff, to increase the number of Country Procurement Assessment Reviews (CPARs)⁴⁷⁷ done, to finance post reviews of procurement contracts

Bank Procurement Function Annual Report FY99. Procurement Board/Operational Core Services Network, 16 February (Internal document), p. vii.

⁴⁷³ World Bank (1999). *Guidelines: Procurement under IBRD Loans and IDA Credits*. Washington DC: The World Bank, pp. 7-8. The wording in the consultants guidelines is slightly altered to reflect its different purpose. See World Bank (1997). *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*. Washington DC: World Bank.

⁴⁷⁴ Klitgaard uses the formula: $C = M + D - A$, or Corruption = Monopoly + Discretion - Accountability, in a paper first published for OED, and which is quoted in the 1997 corruption report. The Bank likes this formula and refers to it often. See Klitgaard, R. (1997). 'Cleaning Up and Invigorating the Civil Service'. *Public Administration & Development*. 17(5), pp. 500-501; World Bank (1997). *Helping Countries Combat Corruption*, p. 21, note 5; Huther, J. & Shah, A. (2000). 'Anti-Corruption Policies & Programs', p. 3; World Bank (2000). *Anticorruption in Transition: A Contribution to the Policy Debate*. Washington DC: World Bank, p. 1.

⁴⁷⁵ According to the 1997 *World Bank Annual Report*, 'The Strategic Compact is a plan for fundamental reform to make the Bank more effective in delivering its regional program and in achieving its basic mission of reducing poverty'. World Bank (1997). *World Bank Annual Report*. Washington DC: World Bank, p. 1. It is the Bank's official business strategy. For more information, see <http://www.worldbank.org/html/ext dr/backgrd/ibrd/comsum.htm>.

⁴⁷⁶ Fifty-three new procurement staff have been hired since June 1997 (sixteen in Washington and thirty-seven in country offices). The majority of new staff have gone to the ECA and AFR regions. World Bank (2000). *The World Bank Procurement Function Annual Report FY99*, p. 3.

⁴⁷⁷ 'The CPAR is intended to be a useful tool to diagnose the health of the existing procurement system in a country and, in the process, generate a dialogue with the government focused on needed reforms. The main purpose of the CPAR is to establish the need for and guide the development of an action plan to improve a country's system for procuring goods, works and services'. World Bank (2000). 'Country Procurement Assessment Reports (CPARs)'. Internet. Accessed November 2000. Available at <http://www1.worldbank.org/publicsector/cpar.htm>. The CPAR has been used since the early 1980s but was redesigned in 1998. The old CPAR looked into the accountability of national bidding procedures, used when a contract was unlikely to attract foreign competition, to see if they were acceptable. The Bank decided this was not a particularly useful tool. Instead, the CPAR is now used as a diagnostic tool for the Bank and donors in general. They 'broadened the scope' from individual Bank projects to an assessment of overall procurement capacity as an element of governance. The CPAR is conducted jointly with the Borrower and the Bank, with other donors sometimes involved as well. This self-assessment

(see Table 4.1) and to support a financial management reform programme. A further \$6 million was spent in FY1999 to investigate allegations of corruption, with an additional \$6.9 million budgeted for FY2000.⁴⁷⁸

Table 4.1: Summary of Special Procurement Audits in FY99

Region	Number of audits	Countries
AFR	30	Angola, Cameroon, Chad, Ghana, Malawi, Tanzania
EAP	8	China, Thailand, Indonesia
ECA	6	Romania, Russia, Turkey
LCA	14	Argentina, Brazil, Colombia, Mexico, Paraguay, Peru, Venezuela
MNA	3	Yemen, The West Bank & Gaza, Egypt
SAR	4	Bangladesh, India, Pakistan

Source: World Bank (2000). *Helping Countries Combat Corruption*, p. 15.

In a recently produced guide for its staff, the Bank identifies four important areas where corruption and fraud may occur within Bank projects: (1) the project design stage, (2) the procurement stage, (3) the implementation stage, and (4) the financial management stage.⁴⁷⁹ With the above definitions in mind, the Bank outlines the opportunities for both corrupt and fraudulent practices within each of the four crucial stages (see Table 4.2).

component is intended to ensure government ownership. Interview with Jean-Jacques Raoul, 9 January 2001, Washington DC.

⁴⁷⁸ World Bank (2000). *Helping Countries Combat Corruption*, pp. 7-9.

⁴⁷⁹ Aguilar, M. et al. (2000). *Preventing Fraud and Corruption in World Bank Projects*, pp. 3-9.

Table 4.2: How and When Fraud and Corruption May Occur in Bank Projects

Stage	Corrupt & Fraudulent Practices	
Project Design (borrower and supplier)	(a) overstate requirements to increase earnings (b) manipulate design to benefit certain parties (c) allow government officials 'unfettered' discretion to allocate resources (d) allow management discretion to divert funds for unauthorised purposes (e) create weak oversight mechanisms (f) alter timing to suit 'vested interests'	
Procurement	Borrower (a) insufficient or inadequate advertising (b) excessively short bidding time (c) bidding time allowed is apparent, not real (d) misuse of legal and administrative requirements (e) inappropriate bidding procedures (f) procedures that violate the secrecy of bidding	Supplier (a) unjustified complaints (b) collusion schemes (c) misleading bids (d) malicious 'front-loading'
Implementation (borrower or supplier)	(a) corrupt contract amendments (b) unjustified complaints (c) overbilling/overpayment (d) lower than specified quality (e) flagrant theft (f) manipulation of Alternative Dispute Resolution (ADR) procedures	
Financial Management (borrower)	(a) duplication of payments (b) alteration of and tampering with invoices and other supporting documents (c) adulteration or duplication of accounting records (d) lack of supporting records (e) ineligible payments (f) misuse of funds (g) unauthorised advance payments without guarantee (h) unauthorised use of project property (i) excessively high operational expenditures (j) unreported discounts	

Source: Aguilar et al. (2000). *Preventing Fraud and Corruption in World Bank Projects*, pp. 3-9.

This list is intended to provide staff with a fairly comprehensive list of different ways fraud and corruption may occur during different stages in the project. The document provides training and guidance to staff in the field with varying degrees of experience in project management in order to

improve capacity and limit the opportunities for fraud. For example, an increased awareness among staff might prevent fraudulent activities, such as roads being built that serve only the business interests of a few government officials, advertising for bids in specific publications that are read by only a select few, billing for materials that do not exist and the private use of project vehicles.

The Bank's internal mechanisms have been designed to prevent the above occurrences within each individual stage. For example, the Bank has produced Standard Bidding Documents (SBDs) and Standard Contracts that help to simplify both the bidding procedure and Bank oversight of the process. These documents reiterate the Bank's procurement policy on corrupt and fraudulent behaviour according to its Guidelines within the General Conditions of the Contract and the Information for Bidders.⁴⁸⁰ Samples of these bidding documents can be found in Appendix 9. Similar standard documents also exist for the employment of consultants, including standard and sample contracts for complex time-based and small assignments.⁴⁸¹

The Bank also ensures that each project Task Team includes both a procurement specialist and a financial management specialist. The procurement specialist will help ensure that the Task Team realistically analyses the borrower's capacity for public procurement, preferably utilising a CPAR if available, ultimately 'taking into account the borrowing country's capability and experience in supplying the goods and services and constructing the works included in the project'.⁴⁸² This could help avoid problems such as drafting unrealistic goals and including local firms when they are in fact unable to provide the goods and services to the specifications required. Likewise, the financial management specialist will help the Task Team analyse the most recent Country Financial Accountability Assessment (CFAA)⁴⁸³ to ensure the borrowing country's capacity to handle the financial, accounting and auditing components of the project.⁴⁸⁴

During the actual project implementation stage, Bank staff are expected to ensure borrower compliance with the terms of the project; analyse any waivers and exceptions to Bank rules or procedures, especially when these may have been introduced to give personal benefit to an interested party; inspect project sites to ensure progress is as reported; and ensure that proper auditing procedures have been implemented and are being followed. This has always been the case. When a project commences, procurement staff assess borrower capacity. During project implementation, they assess transactions, either by prior review (for large transactions) or by reserving the right to conduct *ex post*

⁴⁸⁰ World Bank (1999). 'Master Bidding Documents: Procurement of Goods and Users' Guide'. Internet. Accessed October 2000. Available at <http://www.worldbank.org/html/opr/procure/mdbgoods.html>.

⁴⁸¹ World Bank (1997). 'Standard Request for Proposals: Selection of Consultants'. Internet. Accessed October 2000. Available at <http://www.worldbank.org/html/opr/consult/rfp/r-titlpg.html>.

⁴⁸² Aguilar, M. et al. (2000). *Preventing Fraud and Corruption in World Bank Projects*, p. 14.

⁴⁸³ 'The CFAA is a diagnosis of a country's private and public financial management systems. Its purpose is twofold: (i) to help the borrower and the Bank assess and manage the risk that public funds will be used other than for agreed purposes (the fiduciary objective), and (ii) to support the borrower in the design and implementation of financial management capacity-building programs (the developmental objective)'. World Bank (2000). 'Country Financial Accountability Assessment'. Internet. Accessed November 2000. Available at <http://www1.worldbank.org/publicsector/cfaa.htm>.

⁴⁸⁴ Aguilar, M. et al. (2000). *Preventing Fraud and Corruption in World Bank Projects*, pp. 15-16.

reviews (for smaller transactions). Regardless of the size of the transaction, they can choose to do either or both (or neither, for that matter). The only real change since 1997 has been an increase in resources to conduct more of these reviews, as well as the improvements to the CPAR.⁴⁸⁵

New lending instruments have also been introduced that give Bank staff more control over the funds it disburses. The Loan Administration Change Initiative (LACI), endorsed by the Board in 1998, was introduced to assess project financial management systems in order to assure that borrower capacity is taken into account at the planning stage with regular monitoring by the Bank.⁴⁸⁶ As the Bank explains,

Instead of being disbursed against individual expenditure transactions or statements of expenditure, the proposal is to disburse loans in quarterly payments against supporting documentation and other information derived from borrower financial management systems and reported quarterly in an integrated Project Financial Management Report, to include a project progress report, financial statements, and a procurement management report. This would strengthen the linkage between financial information and the physical progress of a project.⁴⁸⁷

Implementation of LACI (recently renamed the Financial Management Initiative or FINMI) is currently underway and has received mixed reviews. Although there have been important increases in staff and borrower capacity, as well as procedural development, implementation has been problematic. LACI was introduced late into project cycles which caused disruption, and the clients themselves are not yet convinced of its potential.⁴⁸⁸

The Bank has another new lending product called Adaptable Programme Lending (APL). 'APLs are used when sustained changes in institutions, organisations, or behaviour are key to successfully implementing a program.'⁴⁸⁹ It is a long-term instrument which commits the Bank for a period of approximately ten to twelve years. It involves three flexible phases and streamlined documentation. As the recipient completes each phase, the money for the next one is automatically released, no matter how quickly or how long it takes to complete the requirements. Ghana's new public sector loan is designed this way.⁴⁹⁰ This also works as a good risk management tool for the Bank. If requirements are not fulfilled, or are not fulfilled as set out in the loan contract, the Bank can just pull out of the project without any other commitment to it. So unlike in the past, it will not have to continue

⁴⁸⁵ Interview with Jean-Jacques Raoul, 9 January 2001, Washington DC. See World Bank (1999). *Guidelines*, Appendix 1, pp. 39-42.

⁴⁸⁶ World Bank (2000). *Helping Countries Combat Corruption*, pp. 10-11.

⁴⁸⁷ World Bank (1997). *Helping Countries Combat Corruption*, p. 33.

⁴⁸⁸ World Bank (2000). *Helping Countries Combat Corruption*, p. 12. There is no further information available as to why clients are unhappy, although presumably there are issues about delays in payments as well as the problem of explaining the lack of progress in programmes and projects.

⁴⁸⁹ World Bank (2000). *World Bank Lending Instruments: Resources for Development Impact*. Washington DC: World Bank, p. 8.

⁴⁹⁰ Interview with Polly Jones, 2 February 2000, Washington DC. See also, World Bank (2000). *Reforming Public Institutions and Strengthening Governance*, p. 80.

with projects which are problematic, either from design or implementation or even corrupt procurement.

The Bank's framework for ensuring that the funds it disburses are spent on the intended purposes places the onus for implementation and maintenance on the borrower, with the Bank in a supervisory capacity. As shown in Table 4.3, this supervisory role is broken down into three main areas: project preparation, appraisal and approval; implementation and supervision; and other oversight functions.

Table 4.3: Management, Procurement and Financial Controls in Bank-Financed Investment Projects

Project Preparation, Appraisal & Approval	<ul style="list-style-type: none"> · <i>Project preparation</i> - The Bank helps establish proper procurement procedures and financial controls. · <i>Project appraisals</i> - The Bank ensures that the borrower has the necessary institutional capacity. · <i>Loan negotiation</i> - The Bank sets its procurement and financial management policies within the Loan Agreement.
Implementation & Supervision	<ul style="list-style-type: none"> · <i>Procurement</i> - The Bank acts as monitor but overall responsibility lies with the borrower. · <i>Financial management</i> - The borrower must use proper accounting and auditing procedures and submit reports to the Bank. · <i>Disbursement</i> - The Bank supervises project implementation arrangements prior to disbursing funds until the project is completed. · <i>Field Supervision</i> - The Bank visits projects in the field about twice a year to ensure the documentation is supported by evidence.
Other Oversight Functions	<ul style="list-style-type: none"> · Internal Auditing, Loan and Legal Departments · Quality Assurance Group · Procurement Policy and Services Group · Operational Core Services Network (OCS)⁴⁹¹ · Oversight Committee on Fraud and Corruption

Source: World Bank (2000). *Helping Countries Combat Corruption*, pp. 8-9.

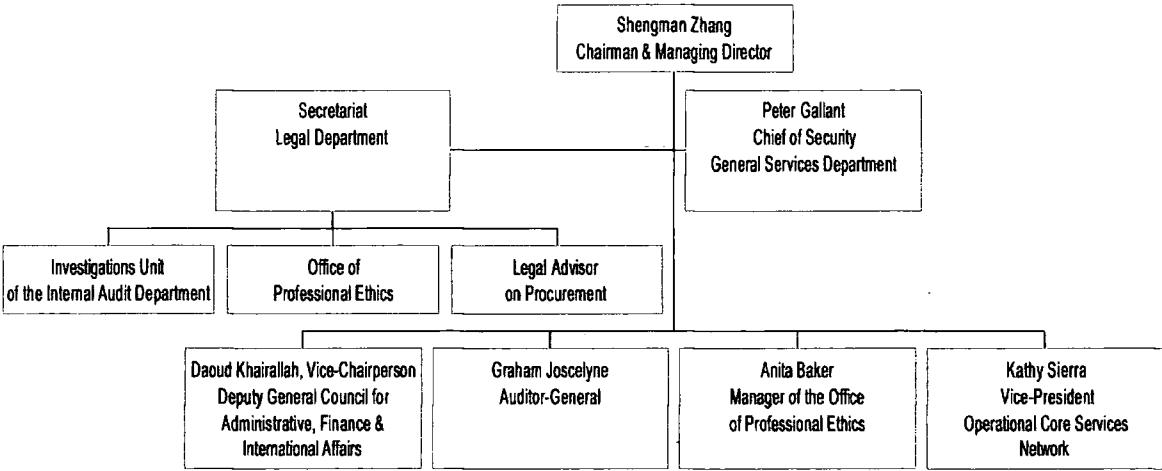
The oversight role has seen several innovations since 1997. Various methods have been introduced in order to assist Bank staff, consultants, temporary employees, government officials, contractor employees and the general public to report fraud and corruption within Bank projects.⁴⁹² The Bank is primarily interested in the following occurrences: contract irregularities and violations of the Bank's procurement guidelines, bid rigging, collusion by bidders, fraudulent bids, fraud in contract performance, fraudulent contract, fraud in an audit inquiry, product substitutions, defective pricing or

⁴⁹¹ OCS was established in July 1997 to bring together procurement, financial management and quality control. In February 1999, the head of OCS was made a Vice-President, which 'helped emphasise to staff the importance that management was placing on an integrated system of financial management, procurement, and supervision oversight, and on the quality assurance processes developed by OCS'. World Bank (2000). *Helping Countries Combat Corruption*, p. 10.

parts, cost and labour mischarging, bribery and acceptance of gratuities, misuse of Bank funds or positions, travel fraud, theft and embezzlement, reprisals and gross waste of Bank funds. One method for reporting such occurrences is the telephone hotline established on 19 October 1998.⁴⁹³ The hotline is operated by The Pinkerton Company, an independent company renowned for providing security services to companies around the world.⁴⁹⁴ The hotline, available since late 1998, is completely confidential and anonymous if requested and is used to report any corruption by Bank staff or involving Bank projects. Those who initiate a report can expect to verify its status within a week, and the Bank tries to conclude investigations within ninety to one hundred twenty days, depending of course on the complexity of the particular case. As of 14 March 2000, the hotline has received one hundred fifty-six calls, although the number of these that have led to investigation has not been made public.⁴⁹⁵

In May 1998, the Bank established the Oversight Committee on Fraud and Corruption Involving World Bank Group Staff. The Committee meets weekly, reports directly to the President and has the power to conduct periodic audits. It is chaired by a Managing Director of the Bank, and also includes the Deputy General Counsel (Administration, Finance & Institutional Affairs), the Auditor General (Internal Audit Department (IAD)), the Manager of the Office of Professional Ethics (OPE), a representative from the Operational Core Services Network, the Chief of Security, and senior managers from the IFC or MIGA, if those agencies are involved. Figure 4.1 provides a complete organisational chart.

Figure 4.1: Oversight Committee on Fraud and Corruption Involving World Bank Staff (as of April 2001)



The Committee’s mandate is to oversee the investigation of all allegations of corruption within the Bank Group itself and within Bank-financed projects. It must ensure that all investigations

⁴⁹² This information can be found on the Bank’s website at <http://wbIn0018.worldbank.org/acfiu/acfiuweb.nsf>.

⁴⁹³ World Bank (1998). ‘World Bank Sets Up Hotline’. News Release, 30 October.

⁴⁹⁴ See <http://www.pinkertons.com/>.

⁴⁹⁵ World Bank (2000). *Helping Countries Combat Corruption*, p. 17.

are 'thorough, prompt, and responsibly carried out'.⁴⁹⁶ It also must determine if investigations should be given to the IAD, the OPE or to outside specialists. In addition, it has the power to create internal policies to combat corruption. The Committee is supported by a Secretariat located in the Legal Department, which reports directly to the Vice-Chairperson (in this case, Daoud Khairallah). It is the 'executing arm' of the Committee, responsible for receiving all allegations and determining that they meet the criteria before passing them on to the Committee. It has control over any cases forwarded on and must 'ensure that investigations are carried out promptly, efficiently, and rigorously'.⁴⁹⁷ The Secretariat then reports on cases to the Oversight Committee, which then presents recommendations on any cases worthy of civil or criminal action to the Bank President.

The Bank takes these investigations very seriously, and will disbar any firm or individual found to have defrauded a Bank project, in accordance with Art. I.15(d) of the Procurement Guidelines: '[the Bank] will declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that the firm has engaged in corrupt or fraudulent practices in competing for, or in executing, a Bank-financed contract'.⁴⁹⁸ This is handled by the Sanctions Committee, which is appointed by the President, and currently includes two Managing Directors (one of whom acts as Chairman), the General Counsel, two Vice Presidents (including the VP of the Operational Core Services Network), and the Legal Advisor of Procurement and Consultant Services, who acts as Secretary.⁴⁹⁹ When the Sanctions Committee reviews an investigation report given to it by the Oversight Committee, it will send a Notice of Disablement Proceedings to the firm or individual in question, in order to allow response in writing or in person. If there is sufficient evidence, the Sanctions Committee passes the case to the President, who then makes a decision on it based on the Committee's recommendations. See Appendix 10 for a list of firms and individuals disbarred as of 29 February 2000.

Importantly, the Bank has also re-emphasised the ethics standards of its own Staff. According to Wolfensohn,

[W]e need to ensure that we have the proper mechanisms in place to minimise fraud and corruption within our own organisation – and to respond swiftly and effectively when it does occur. I want to emphasise that I have full confidence in the integrity of the staff of our institution. Those instances where staff have not conducted themselves in accordance with the World Bank Group's ethical standards are very rare. I do not believe we have a widespread problem in this regard. We cannot be too complacent, however. As I have said before, even one case of fraud or corruption is one too many.⁵⁰⁰

⁴⁹⁶ Wolfensohn, J.D. (1998). 'New Measures to Combat Fraud and Corruption'. World Bank Staff Memo, p. 3.

⁴⁹⁷ Wolfensohn, J.D. (1998). 'New Measures to Combat Fraud and Corruption', p. 3.

⁴⁹⁸ World Bank (1999). *Guidelines*, p. 8.

⁴⁹⁹ See <http://www.worldbank.org/publicsector/anticorrupt/prevent.htm> for more information.

⁵⁰⁰ Wolfensohn, J.D. (1998). 'New Measures to Combat Fraud and Corruption', p. 1.

The Bank's Code of Professional Ethics, issued in 1994, 'stresses that the highest level of professional ethics is expected from staff members'.⁵⁰¹ Staff Rule 8.01 was amended to 'provide for mandatory termination for Staff who defraud the Bank...where Staff have engaged in the misuse of Bank Group funds or other public funds for private gain in connection with their Bank activities or employment, or the abuse of their position in the Bank for financial gain'.⁵⁰² OPE was strengthened in 1998 with support from the Strategic Contract. Activities that it has undertaken since then includes the 1999 publication of *Living Our Values*,⁵⁰³ staff ethics training through Integrity Awareness Seminars, establishing an Ethics Helpline for staff along with an Ethics web page,⁵⁰⁴ and the introduction of policies and procedures for the termination of staff for fraud and corruption (November 1996) and also for protection of whistle-blowers (March 2000).⁵⁰⁵

Out of fifty-four projects audited by independent firms hired by the Bank so far, misprocurement was found on forty contracts totalling almost \$40 million (see Table 4.4 for details for FY99). This is out of approximately 45,000 contracts totalling \$45-50 billion. The Bank's own investigations led to the termination of two staff members for misuse of \$110,000 of trust funds, with their termination benefits withheld. Some of this money has already been recovered as part of an ongoing investigation. Furthermore, another civil lawsuit was filed against a former staff member and a contractor. The case, originating in October 1997, was won by the Bank in February 1999. These investigations led to a decision in the Spring of 1998 to create a special unit within the IAD which includes outside specialists. This unit works closely with OPE and the Legal Department and will publish updates and results on the Bank's website.

⁵⁰¹ Sierra, K. (1998). 'Ethical Guide for Bank Staff Handling Procurement Matters in Bank-Financed Projects'. World Bank Operational Core Services Memo.

⁵⁰² See [http://wbln0018.worldbank.org/acfiu/acfiuweb.nsf/\(WebDisplay\)/AbouttheInvestigationsUnit?open](http://wbln0018.worldbank.org/acfiu/acfiuweb.nsf/(WebDisplay)/AbouttheInvestigationsUnit?open) document. I asked the Ethics Department why this rule was amended as late as 1997 and what happened to staff involved in fraud prior to this. The response contradicted the information available on the website. Staff have always been fired for involvement in fraudulent activities involving Bank funds and this amendment reflected 'what was in fact already happening in the case of staff fraud'. Winborne, S. (2001). Email to the author, 7 February. When I requested further clarification, I was referred to her manager. Ms. Baker concurred that staff have always been terminated for fraud, and that the amendment to Staff Rule 8.01 merely provided protection for whistleblowers. Last year, seven people were fired, with five for fraud and two for falsification of documents (two are currently appealing their termination). The Bank, like other multilateral institutions, is unique in that it has immunity and cannot be sued by its employees, current or former. Therefore, a great deal of attention must be taken to ensure that the due rights of staff are taken into consideration in these matters. Ironically, Baker says that more people were fired before 1990 for fraud than now because of the complex appeals process put into place to ensure the protection of staff rights. Interview with Anita Baker, 14 February 2001, Phone.

⁵⁰³ World Bank (1999). *Living Our Values*. Washington DC: World Bank.

⁵⁰⁴ See <http://www.worldbank.org/ethics>.

⁵⁰⁵ World Bank (2000). *Helping Countries Combat Corruption*, pp. 18-19. This amendment about whistleblowers is definitely 'a response to and part of anti-corruption initiatives' at the Bank. It is very difficult to write policy for whistleblowers, but it is vital for improving the workplace atmosphere and for providing an ethical workplace. Staff must have a safe way to raise issues and concerns without fear of repercussions. Interview with Anita Baker, 14 February 2001, Phone.

Table 4.4: FY99 Bank-Declared Misprocurement⁵⁰⁶

<i>Country Totals</i>	<i>US\$</i>	<i>% of total US\$ involved in Bank- declared misprocurement</i>	<i># of Misprocurements</i>
India	15,000,000	41.0	1
Haiti	6,200,000	16.9	5
Turkmenistan	4,402,440	12.0	3
Brazil	4,341,094	11.9	3
Indonesia	3,805,170	10.4	2
Kenya	1,100,000	3.0	1
Belarus	531,527	1.5	1
Chad	400,000	1.1	1
Ghana	362,232	1.0	1
China	228,094	0.6	1
Pakistan	126,168	0.3	2
Côte d'Ivoire	100,000	0.3	1
Total	36,596,725	100.0%	22

Source: World Bank (2000). *The World Bank Procurement Function Annual Report FY99*, p. 21.

There has been considerable effort to publicise fraudulent cases. One incident involved consultant trust fund activities administered by the Bank for the Swedish, Danish, Norwegian, Dutch, Spanish and Swiss governments. Three staff members have been dismissed for fraudulent activities totalling \$900,000.⁵⁰⁷ Another case involves allegations of fraud totalling \$80 million at the Nigerian Industrial Development Bank (NIDB), largely funded by the World Bank. NIDB has denied the allegations, and the case is still being investigated.⁵⁰⁸ The Bank also reported on a fraudulent scheme by individuals in West Africa claiming to be Bank auditors in order to collect 'processing fees'.⁵⁰⁹ Recently, a two month investigation into allegations of fraud in East Timor has resulted in the cancellation of a contract totalling 'thousands of dollars'.⁵¹⁰ The Bank has also cancelled a \$100 million water project loan to Ghana because of allegations of a \$5 million bribe paid to senior officials by Azurix, the US company which had been awarded the contract. Furthermore, Ghana is to pay the Bank \$800,000 in costs for the project's preparation.⁵¹¹ Recently, the Bank has launched an criminal investigation into allegations of corruption against its former task manager for the Kenya Transport Infrastructure Project, as well as blacklisting several related consultants and consulting firms.⁵¹²

In April 2000, the US General Accounting Office (GAO) published a study of the Bank's anti-corruption efforts. The report is generally positive about the internal controls the Bank has put in place

⁵⁰⁶ Including Brazil's \$4,341,094 and Indonesia's \$3,634,525 in July 1999 (FY00).

⁵⁰⁷ Fidler, S. (2001). 'Corruption leads to freeze on trust funds: World Bank five European governments act after organisation's staff were found to have received kickbacks'. *Financial Times*, 7 Feb; World Bank (2000). 'World Bank Investigation Reveal Three Staff Members and Swedish Firms Engaged in Corruption; Staff Members Fired, Funds to be Reimbursed'. News Release No. 2001/144/S, 6 December; World Bank (2000). 'World Bank Fires Three Staffers for Alleged Corruption'. *Development News*, 7 December.

⁵⁰⁸ 'NIDB denies fraud allegation, states position'. *The Guardian (Nigeria)*, 13 December 2000; 'Nigeria to probe corruption in industrial bank'. *South African Broadcasting Corporation*, 29 January 2000; World Bank (2000). 'Briefly Noted'. *Development News*, 31 January.

⁵⁰⁹ World Bank (2000). 'World Bank Warns of Investment Schemes Misrepresenting its Name'. News Release No. 2000/345/S, 17 May.

⁵¹⁰ World Bank (2001). 'Crackdown on Corruption in East Timor'. Press Release, 25 January.

⁵¹¹ TI (2000). 'Ghana: World Bank turns off the taps on water project'. *TI Newsletter*, October, p. 11.

or strengthened, but with several caveats. Lack of borrower capacity will obviously weaken any internal Bank measures, and the Bank needs to see this as a long-term problem. It does not sufficiently take risk into account when lending for anticorruption work. Looking at twelve projects approved since November 1998, GAO found five with little borrower capacity, according to Bank staff and records; six which did not meet the minimum financial management requirements; three with weak procurement capacity, according to the Bank; and four lacked the key implementing agencies and staff required by the Bank. In response,

Bank officials told [GAO] that it is common practice for borrowers to delay fully establishing project-implementing organisations until after projects are approved by the Board. These officials indicated that most management deficiencies would be corrected, as a legal condition of the loan, before any Bank funds are actually disbursed. However, even with required corrective actions, the ability of these agencies to exercise proper financial management and procurement functions is unproven, given the agencies' lack of experience.⁵¹³

Furthermore, Bank monitoring and supervision procedures are not seen as adequate, and problems do not often make it far enough up the chain of command. Finally, although much more information is now available to the public, the Bank has not done enough to publicise its new initiatives, such as the hotline and Oversight Committee, to the development community and especially to NGOs.⁵¹⁴ Although the Bank argued during the writing of the GAO report that the measures taken were sufficient to assure that funds were being spent as intended, GAO believes 'the Bank is not in a position at the time to gauge the extent to which this is the case due to the weaknesses in its current systems of controls'.⁵¹⁵ In his response to the report, Wolfensohn agrees with the findings and points out efforts that are being made to address those issues (Thornburgh's evaluation of the Oversight Committee [see below], increased funding for capacity building, staff training, increased emphasis on risk in the country assistance strategy [CAS]⁵¹⁶ document and greater publicity of the hotline).⁵¹⁷ In its own progress report, the Bank highlights the report and states that it is an important independent review that provides guidance for the future of the programme.⁵¹⁸

⁵¹² 'World Bank Launches Investigations Against its Former Manager'. *The Nation (Kenya)*. 12 December.

⁵¹³ USGAO (2000). 'World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain'. Report to Congressional Committees, GAO/NSIAD-00-73, April, pp. 15-16.

⁵¹⁴ USGAO (2000). 'World Bank', pp. 5-7. In 1998, US Senator Mitch McConnell, a member of the Senate Appropriations Committee which approves funding levels for the Bank, expressed great concern about alleged corruption at the Bank and called for the GAO report. He accused the Bank of being 'secretive and rife with "cronyism and deceit"' and called for the immediate resignation of US Executive Director Jan Piercy 'for failing "to serve US interests"'. Ms. Piercy was defended by her boss, US Treasury Secretary Robert Rubin, who nonetheless expressed concern over the corruption allegations. It is thus in the Bank's best interest to ensure a transparent and well-publicised investigation process to ward off this type of attack. 'World Bank President Defends Handling of Corruption Cases'. *Bloomberg*, 17 July; 'Rubin Calls Allegations of World Bank Corruption "Serious"'. *Bloomberg*, 17 July.

⁵¹⁵ USGAO (2000). 'World Bank', p. 34.

⁵¹⁶ The CAS is handled in detail later in the chapter.

⁵¹⁷ Letter from Wolfensohn to Benjamin F. Nelson, Director, International Relations and Trade Issues, dated 16/3/00, in USGAO (2000). 'World Bank', pp. 52-55.

⁵¹⁸ World Bank (2000). *Helping Countries Combat Corruption*, pp. 19-20.

A review of the hotline's effectiveness was conducted for the Bank by Richard Thornburgh of Kirkpatrick & Lockhart LLP, a former US Attorney General and Deputy Under Secretary to the UN, and published in January 2000 (although circulation is restricted). The report goes beyond the original remit of the audit and makes three principal recommendations regarding the Bank's internal practices:

- The Oversight Committee should be policy-making and the 'principal vehicle for establishing responses to fraud and corruption' and for 'the conceptualisation and delivery of national assistance programs'. It should also be renamed the Oversight Committee on Fraud and Corruption Policy.
- Investigative functions should be handled by a new independent department that reports to the President and has the authority to conduct its own investigations. This should be named the Department of Institutional Integrity.
- The Sanctions Committee should publish guidelines for sanctions and should not be subject to review by the President.⁵¹⁹

In April 2001, the Bank appointed Maarten de Jong as Director of its Department of Institutional Integrity.⁵²⁰ Mr. de Jong is in charge of advising senior management in fraud investigation cases, developing investigative strategies and procedures and contributing to policy and programmes on corruption.⁵²¹ Also in April 2001, the Oversight Committee was renamed the Corporate Committee on Fraud and Corruption Policy. 'This new group, composed of senior staff from the Bank, IFC and MIGA, works to ensure that the World Bank Group develops poverty-reducing, co-ordinated and effective anti-corruption policies and implementation strategies'.⁵²²

The Department for Institutional Integrity consolidates the Investigations Unit with the Ethics Department. Because investigations of fraud in projects could also involve misbehaviour on the part of Bank staff (which was part of the Ethics Department's remit), it made sense to bring the two together.⁵²³ In addition to investigations, the new department also works towards promoting a culture of integrity through existing staff and participating in the training of new staff. An example of work that they are currently is updating the staff rules to include outside interests, trying to take into account the many cultures found within the Bank and not just producing a legalistic approach.

⁵¹⁹ Thornburgh, R., Gainer, P. & Walker, C. (2000). 'World Bank: Concerning Mechanisms to Address Problems of Fraud and Corruption'. Report to Shengman Zhang, Managing Director and Chairman of the Oversight Committee on Fraud and Corruption, 21 January (rev.), (internal document), pp. 2-3, 41-42.

⁵²⁰ It is too early to report any institutional or procedural changes that will come out of this. Even though there are some likely, I have chosen to keep this section much as it had been written before April 2001. At this point in time, this is more a consolidation of existing practice rather than an example of new practice, and much remains the same but under a different body.

⁵²¹ Mr. de Jong was previously Managing Director of the European Institute for Law Enforcement Cooperation (EULEC). United Nations (2001). 'World Bank Names Law Enforcement Expert to Fight Fraud and Corruption'. Internet. Accessed 23 April. Available at <http://www.allafrica.com/stories/printable/200101160187.html>; World Bank (2001). 'Fighting Fraud: World Bank appoints Maarten de Jong as director of Institutional Integrity'. *Development News*, 12 April.

⁵²² See <http://www1.worldbank.org/publicsector/anticorrupt/prevent.htm>.

⁵²³ Interview with Skip White, 12 July 2001, Phone.

The Corporate Committee on Fraud & Corruption Policy, is now a policy-making body, following the Thornburgh report's recommendation. This refers to internal policy though, and not programme design. Skip White, Co-Manager of the Investigations Unit, did not think there would be an operational policy forthcoming, or at least did not know if there would be or not.

Neither of these two bodies constitutes a VP for Corruption. Programme design will still be handled by PREM and WBI, as it has been from the start.⁵²⁴ However, the new department will work with PREM when appropriate. For example, they are advocating stronger audit rights for the Bank, trying to get borrowers to include this language in loan contracts. PREM lacks the authority to impose it upon a borrower, but they can certainly advocate it.

The Thornburgh evaluation also flags as an area for concern the fact that '...there is no central authority below the President that, as a practical matter, is in a position to assure that the Bank's efforts are consistent in policy direction, focused, comprehensive, co-ordinated, and interbalanced in a cost-effective manner'.⁵²⁵ It stops short of recommending a separate VP for Anti-Corruption. There is currently a VP for Gender and a VP for Environment, for example, but there has been no move to centralise the anti-corruption initiatives under one VP, as one would expect, perhaps for the same reason there is also no one central operational policy.

Despite these criticisms, this work is quite rightly placed at the top of the Bank's strategy. For Borrowers to accept any of its other anti-corruption work, it must be seen to be doing all that it can to minimise the fraud found within its own activities. The integrity of the entire programme demands that contracts where fraud has been found must be cancelled, and any Staff involved must be dismissed. In addition to this, in today's climate, few investors would regard any business that did not take internal fraud seriously as a sound investment. The Bank's work to enhance its procedures and programmes to limit the opportunities for fraud is, for the most part, both impressive and necessary.

Helping Countries that Request Bank Support in Their Efforts to Reduce Corruption

The two main actors within the Bank's anti-corruption programme are the Public Sector Group within the Poverty Reduction and Economic Management Network (PREM) and The World Bank Institute (WBI). As we saw in Chapter 3, WBI⁵²⁶ used to concern itself with anti-corruption action plan preparation and support, diagnostic surveys, training workshops, anti-corruption courses, policy advice and technical assistance, but not coherently or with a Bank-sanctioned mandate. However, following Wolfensohn's speech in 1996, the Bank has sought to 'mainstream' anti-corruption work, and 'WBI has been amongst those at the forefront of this process, which has entailed an expansion and evolution of WBI's program'. There is now a dedicated division within WBI for anti-corruption and other

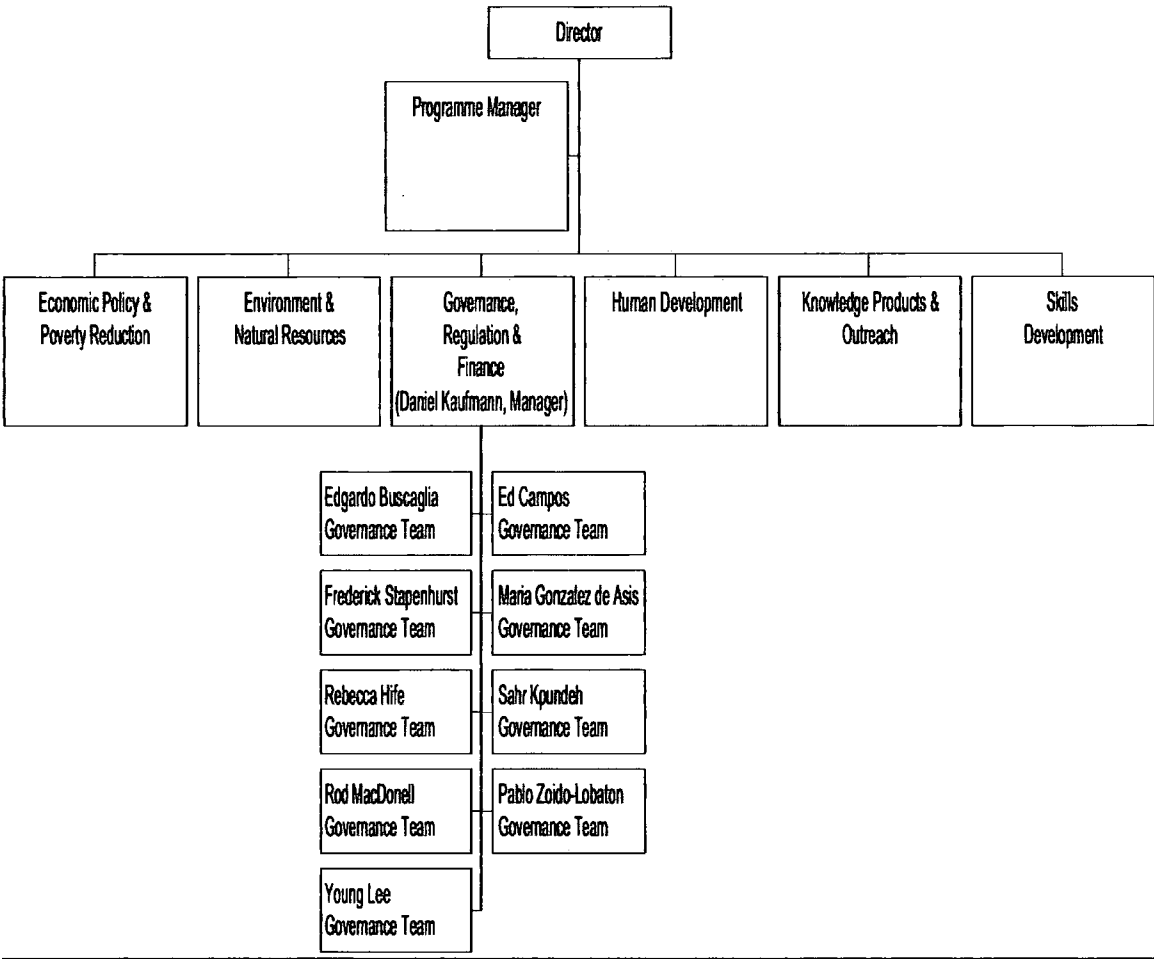
⁵²⁴ The roles of PREM and WBI are explained in the next section.

⁵²⁵ Thornburgh, R. et al. (2000). 'World Bank', p. 25.

⁵²⁶ Parts of this section draws on WBI's website. This is available at <http://www.worldbank.org/wbi/governance/>. See Appendix 11 for a copy of the website's index.

governance issues called the Governance, Finance and Regulatory Reform Group (WBIGF). This reorganisation can be seen in Fig. 4.2. This is a loosely-based organisation, without a highly-tiered hierarchy. As a WBI staff member explained, ‘We have a team of different people who are implementing these [anti-corruption programmes] in different countries... and we keep some kind of informal communication’.⁵²⁷ This informal structure reflects both the highly varied nature of the work WBI is doing and also its emphasis on partnership and team-building,

Fig. 4.2: WBIGF Organisational Chart (as of April 2001)



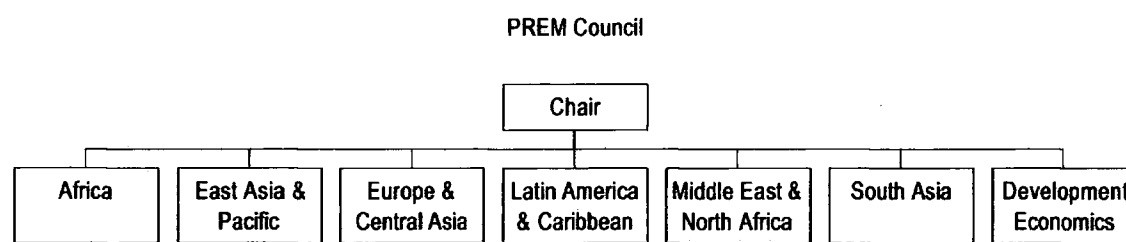
WBI focuses on research and education and the improvement of institutional capability in its borrowing members. Accordingly, ‘The goal of the Governance Programme, in collaboration with the rest of the World Bank Group and outside partners, is to help countries in developing effective programmes to improve governance of their public institutions, capacity-building and efficiency in public sector performance and service delivery’. It recently issued a formal strategy statement and identified its approach to anti-corruption. It’s strategy ‘takes an integrated approach to capacity building, governance, and anticorruption’,⁵²⁸ and emphasises:

⁵²⁷ Interview with Pablo Zoido-Lobaton, 2 February 2000, Washington DC.
⁵²⁸ WBI’s approach has been summed up as a formula: GI & AC = F (KI, LE, CA), or ‘Successful Governance Improvement (GI) and Anti-Corruption programs (AC) are dependent on the public availability of Knowledge and

- Going beyond public sector dysfunction (the 'symptom') to assist countries in integrating institutional, regulatory and economic reforms (the 'fundamentals');
- Implementing rigorous empirical diagnostics and analysis;
- Bringing about collective action, through participation and broad based bottom up coalitions;
- Building partnerships within countries, the World Bank Group, and other international or regional institutions;
- Moving beyond conventional training to knowledge dissemination, policy advice based on the latest research and operational findings, and participatory and consensus-building activities;
- Scaling up the impact of our activities, utilizing new tools for knowledge dissemination, innovating, and taking managed risks.⁵²⁹

PREM falls under the remit of Sven Sandström, the Managing Director, and can be described as a small group of staff drawn from different areas with decision making based on both functional and geographical lines. Figure 4.3 is a series of organisational charts to show how functions have been split. As we can see, the Council is split into regions and also into thematic groups. Within the thematic groups, there is a split into regions and also into further thematic groups. This is intended to allow the greatest interaction between different areas of expertise within an informal network.⁵³⁰

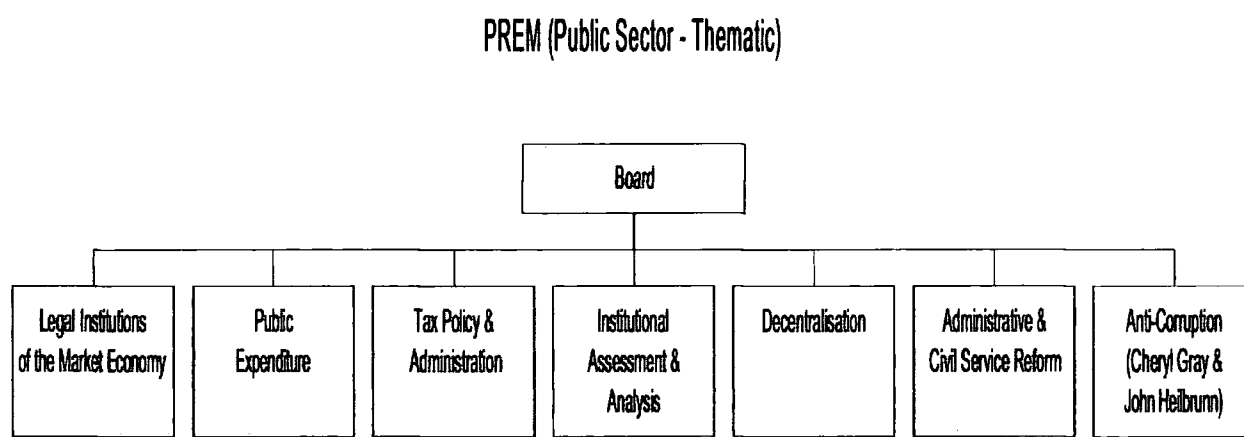
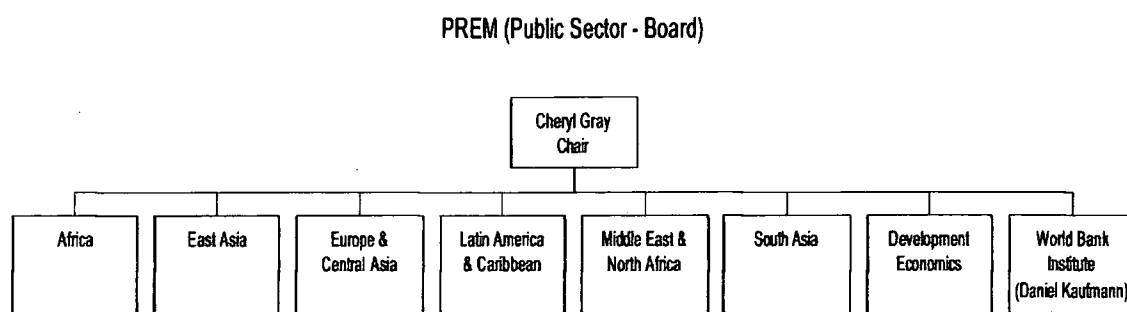
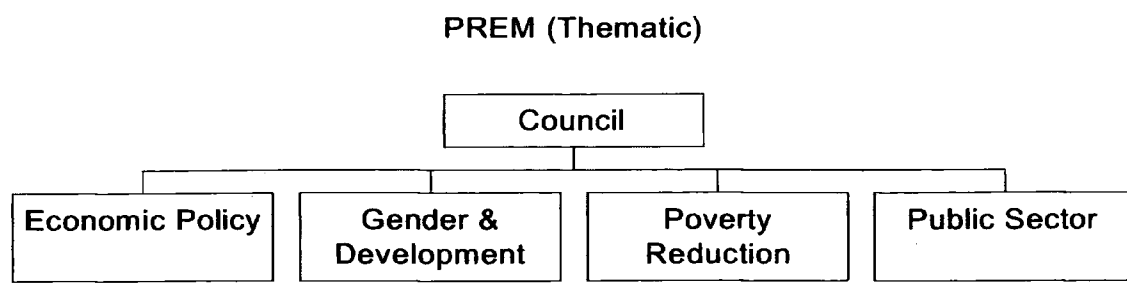
Figure 4.3: PREM Organisational Charts



Information (KI) plus political Leadership (LE) plus Collective Action (CA)'. The F apparently stands for 'Formula'.

⁵²⁹ See <http://www.worldbank.org/wbi/governance/overview.htm#strategy>.

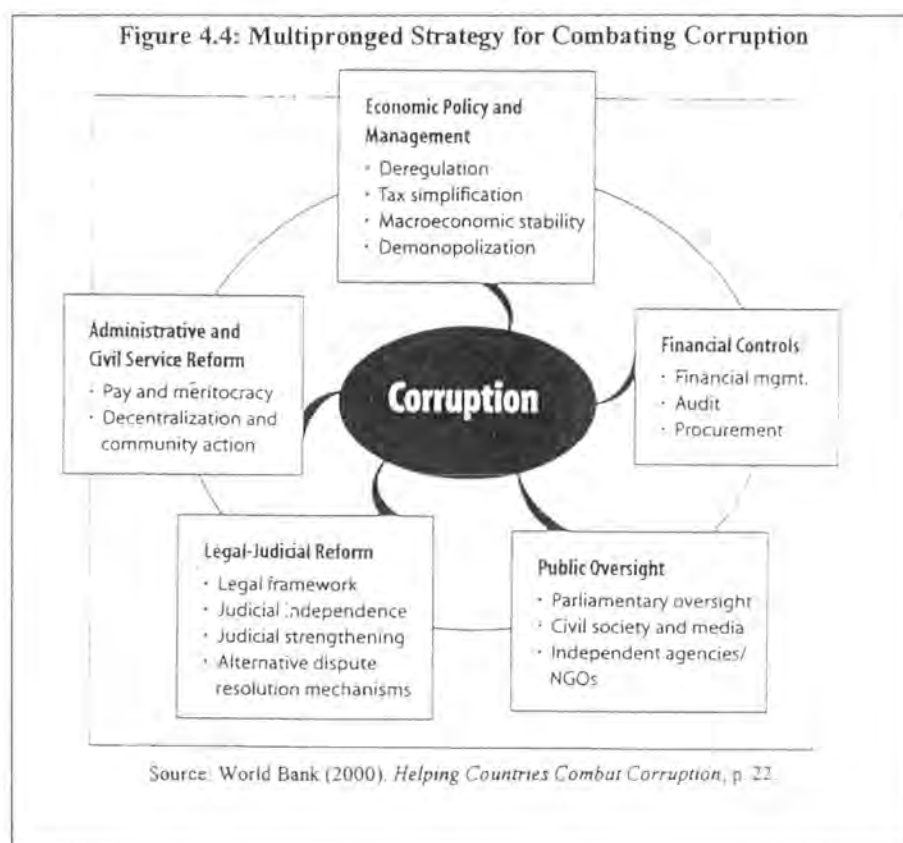
⁵³⁰ Interview with Cheryl Gray, 2 February 2000, Washington DC.



WBI's emphasis is on research and education, and PREM's mandate also focuses on dissemination of information with the intent to both educate the public and influence those who make important policy decisions. However, PREM is also responsible for policy and is the 'central clearinghouse' for anti-corruption work in the regions.⁵³¹ Operational areas of focus include incorporating anti-corruption language into the Country Assistance Strategies (CASs) and evaluative country reports on Economic and Sector Work (ESW). There is also a strong focus on staff training and research related to corruption. PREM is all about 'action' - lobbying donors and international organisations to increase attention paid to corruption within their own activities, investigating claims of corruption within Bank projects, and designing loan products which take corruption into account.

⁵³¹ Interview with John Heilbrunn, 1 February 2000, Washington DC.

The Bank's strategy for helping countries combat corruption is shown below in Figure 4.4. This strategy involves building Borrower capacity in these five main areas of concern (economic policy reform, administrative and civil service reform, legal and judicial reforms, financial management and public oversight), and work is handled by both WBI and PREM. WBI conducts training workshops for staff and clients, while PREM has responsibility for the anti-corruption aspect of investment and adjustment loans and also for Institutional Development Grants (IDGs) for anti-corruption work. Both departments devise and utilise diagnostic tools and assist clients in building anti-corruption programmes.



According to the 1997 report, 'Anticorruption bodies appear to be a promising option if they can be made truly independent of the executive and if there is a strong and independent judiciary. However, we need to better understand the experiences of these bodies – where they have been effective and where they have failed – before recommending them to governments'.⁵³⁴ The Bank's findings continue to support this.⁵³⁵ It does not believe that special anti-corruption bodies are generally

⁵³⁴ World Bank (1997). *Helping Countries Combat Corruption*, p. 44. The Bank does not refer to the rather extensive and important work within political science on the effectiveness of such bodies. See, for example, the contributions by Moran, Theobald & Williams in Doig, A. & Theobald, R. (2000). *Corruption and Democratisation*. London: Frank Cass.

⁵³⁵ See World Bank (2000). *Anticorruption in Transition*, p. 79; Huther, J. & Shah, A. (2000). 'Anti-Corruption Policies & Programs', pp. 7, 9; Pope, J. & Vogl, F. (2000). 'Making Anticorruption Agencies More Effective'. *Finance & Development*, 37(2), pp. 6-9. These sources and others generally agree that anti-corruption agencies can be effective but require certain conditions: an independent judiciary, for example. These conditions do not exist in many of the countries the Bank lends to and would therefore not provide an effective entry point for an anti-corruption strategy.

appropriate in developing countries, despite success in Hong Kong and Australia, for example.⁵³⁴ Instead, the Bank's work focuses on institution and capacity building, in the five areas highlighted in Figure 4.4. There are a number of tools the Bank uses to measure capacity and support institution-building. These include diagnostic tools, country assistance programmes participatory learning and workshops. The rest of this section focuses on these tools.

Diagnostic Tools

In order to help countries build effective anti-corruption programmes, the Bank has developed a series of diagnostic tools 'to help the Bank and client countries deepen the knowledge of governance settings and the constraints and opportunities these settings provide for development in general and Bank work in particular'.⁵³⁵ These include Institutional Governance Reviews (IGRs), anti-corruption Surveys, Public Expenditure Reviews (PERs), CPARs and CFAAs.

IGRs are a group of analytical tools being piloted by PREM that focus on policymaking, service delivery and accountability.⁵³⁶ Pilots have been completed in Armenia, Bangladesh, Bolivia and Indonesia, while another five to seven others are currently planned or underway. Brief descriptions of three pilots are available online.⁵³⁷ IGRs are designed to be country specific,

[b]ut they share the common goals of (1) focusing on performance by beginning with a problem (whether poor service delivery, corruption, or bad economic policies) and tracing its governance roots, (2) trying to use empirical methods and diagnostic toolkits (including analysis of political economy issues) to understand current governance realities in the country concerned, and (3) using this deeper understanding to help shape feasible and effective programs of institution-building for client countries and the Bank.⁵³⁸

Anti-corruption surveys aim 'to measure the economic and social costs of corruption, the quality of public service delivery and of the business environment, and to identify public sector vulnerabilities'.⁵³⁹ The surveys, conducted by WBI with local partners and often funded by bilateral donors, are targeted at citizens, private firms and policymakers and consist of (a) public officials surveys, (b) enterprise surveys, (c) household surveys and (d) specialised surveys (e.g., customs, forestry, media). These surveys are designed to focus on institutions and their clients, rather than the

⁵³⁴ Sutch points to the lack of a 'benevolent colonial power' in most developing countries now, which would be capable of the sweeping reforms undertaken in Hong Kong. Interview with M. Helen Sutch, 8 January 2001, Washington DC.

⁵³⁵ World Bank (2000). 'Key Instruments for Institutional and Governance Analysis'. Internet. Accessed November 2000. Available at <http://www1.worldbank.org/publicsector/keyinstruments.htm>.

⁵³⁶ World Bank (2000). *Helping Countries Combat Corruption*, pp. 23-24.

⁵³⁷ This includes Armenia, Bolivia and Morocco, located at <http://www1.worldbank.org/publicsector/anticorrupt/IGRs.htm#IGRpilots>.

⁵³⁸ World Bank (2000). 'Institutional and Governance Reviews'. Internet. Accessed November 2000. Available at <http://www1.worldbank.org/publicsector/igrs.htm>.

behaviour of individuals and to provide quantitative rather than qualitative data.⁵⁴⁰ These diagnostic surveys 'constitute a key component' of the program and exist to provide new data that will help countries prioritise areas of concern when designing anti-corruption programmes.⁵⁴¹ These have been done in the ECA region in FY98 and are being done in the other regions throughout FY99 and FY00.⁵⁴² It should be noted that the OED has expressed concern over the usefulness of these surveys which tend to only highlight 'high visibility corruption' or corruption 'likely to be identified by surveys', such as corporate bribes to government ministers that may not be very costly overall in comparison to less exposed forms of corruption with a high overall cost, such as persistent tax evasion by corporations and the wealthy elite.⁵⁴³

PERs have long been used by PREM to diagnose budget problems within the public sector, but during the 1990s began to focus on institutional and anti-corruption issues as well.⁵⁴⁴ For example, the PER for China (FY98) focused on public expenditure management, while the PER for Cambodia focused on corruption issues as well.⁵⁴⁵ Table 4.5 shows data for completed PERs.

Table 4.5: PERs Conducted by Region⁵⁴⁶

Region	Number of countries	Public Expenditure Reviews completed	
		Number of countries	Percentage of total countries completed
AFR	32	22	69
EAP	12	10	83
ECA	25	10	40
LCR	22	6	27
MNA	9	4	44
SAR	5	4	80
Total	105	56	53

Source: World Bank (2000). *Helping Countries Combat Corruption*, p. 26.

The use of CPARs and CFAAs have already been discussed previously in this chapter. However, Tables 4.6 and 4.7 show similar data to the one above, for procurement and financial management respectively.

⁵³⁹ World Bank (2000). *Helping Countries Combat Corruption*, p. 24.

⁵⁴⁰ WBI (1999). *New Empirical Tools for Anti-Corruption and Institutional Reform: A Step-by-Step Guide to Their Implementation*. Washington DC: World Bank.

⁵⁴¹ WBI (1999). *New Empirical Tools for Anti-Corruption and Institutional Reform*.

⁵⁴² Surveys in Paraguay, Cambodia, Latvia, Albania and Slovakia have been completed and are available to the public at http://www.worldbank.org/wbi/governance/diag_surveys.htm.

⁵⁴³ Huther, J. & Shah, A. (2000). 'Anti-Corruption Policies and Programs', p. 6.

⁵⁴⁴ World Bank (2000). 'Public Expenditure Reviews'. Internet. Accessed November 2000. Available at <http://www1.worldbank.org/publicsector/pers.htm>. See also, Swaroop, V. (1999). 'Public expenditure reviews: progress and potential'. PREM Notes No. 20, April.

⁵⁴⁵ World Bank (2000). *Helping Countries Combat Corruption*, pp. 25-26.

⁵⁴⁶ Completed in FY98 and FY99 or planned in FY00.

Table 4.6: Summary of CPARs in FY99 and Plans for FY00

Region	Number Completed in FY99	Number Planned for FY00
AFR	5 (Mali, Niger, Benin, Guinea, Mauritania)	6 (Nigeria, Uganda, Mozambique, Burkino Faso, Zambia, Tanzania)
EAP	1 (Vietnam)	2 (Philippines, Indonesia)
ECA	3 (Croatia, Bulgaria, Romania)	6 (Latvia, Russia, Albania, Slovakia, Poland, Kazakhstan)
LCR	5 (Guyana, Dominican Republic [draft], Uruguay, Haiti [draft], Guatemala [draft])	7 (Honduras, Panama, Peru, Ecuador, Colombia, Bolivia, Trinidad and Tobago)
MNA	2 (Jordan, Morocco)	3 (Lebanon, Yemen, Egypt)
SAR	None (Bangladesh, India, Pakistan started)	4 (Bangladesh, India, Nepal, Pakistan)
Total	16	28

Source: Adapted from World Bank (2000). *Helping Countries Combat Corruption*, p. 27.

Table 4.7: CFAAs and Country Profiles of Financial Accountability (CPFAs)⁵⁴⁷

Region	FY97	FY98	FY99
AFR	CPFA (19): Benin, Botswana, Burkino Faso, Burundi, Ghana, Kenya, Lesotho, Malawi, Mali, Mozambique, Namibia, Niger, Senegal, Sierra Leone, Swaziland, Tanzania, Togo, Zambia, Zimbabwe	CPFA (5): Angola, Eritrea, Ethiopia, South Africa, Uganda	CPFA (5): Côte d'Ivoire, Guinea, Madagascar, Mauritius, Rwanda
EAP	CPFA (1): China	CPFA (1): Cambodia	CFAA (2): Korea, Thailand
ECA	CFAA (2): Armenia, Latvia CPFA (1): Kazakhstan		CFAA (2): Croatia, Moldova
LCR			CFAA (2): Argentina, Colombia
MNA	CFAA (2): Egypt, Yemen		CPFA (3): Jordan, Lebanon, the West Bank and Gaza
SAR		CPFA (5): Bangladesh, Bhutan, Maldives, Nepal, Pakistan	CPFA (2): India, Sri Lanka

Source: World Bank (2000). *Helping Countries Combat Corruption*, p. 28.

Country Assistance Programmes

Prior to 1997, the Bank had never attempted to design anti-corruption programmes and had rarely addressed the issue even in an indirect manner within its economic and sector work. As the Bank itself has admitted, 'While the Bank has helped countries reform economic policies and strengthen public institutions for many years, its involvement in explicit anticorruption strategies is novel'.⁵⁴⁸ This is the most controversial of all the Bank's anti-corruption work, both because of its experimental nature and with regard to its non-political mandate. It is with that in mind that the Bank insists it only works with those countries who have asked the Bank for its advice and assistance with national anti-corruption efforts.⁵⁴⁹ It describes its work as 'demand driven', and points out a number of caveats for its response to client requests for assistance:

⁵⁴⁷ The short-form version of the CFAA.

⁵⁴⁸ World Bank (1997). *Helping Countries Combat Corruption*, p. 3.

⁵⁴⁹ Even one of the Bank's biggest partners in anti-corruption expressed concern regarding the potential for increased political conditionality and intervention in a sovereign country's political affairs. In 1996, TI said, 'We would not like to see the Bank dictating to governments and understand that it has no intention of doing so. Still less would we want to see elements of conditionality creeping in'. Transparency International (1996). 'TI supports

- We emphasise a demand-driven approach to ensure there is a strong commitment from the top leaders in the country to a transparent, open, and participatory reform process.
- We request the formation of a 'steering committee' including the top leadership as well as representatives from civil society and the private sector. This top-level committee is charged with designing a strategy and an action program, as well as monitoring their implementation through 'task forces' or 'technical committees'.
- To ensure there is a good understanding of the fundamental governance and anti-corruption problems, we generally propose conducting empirical diagnostic work as an entry point. Our triangulated survey of households, public officials and business enterprises, and a rigorous analysis of the data gathered, helps us to suggest programs that will begin to address the governance problems in the country.
- We discourage 'one-off' activities, emphasising a long-term commitment to an integrated program that addresses not only anti-corruption, but an overall governance program as well.⁵⁵⁰

This approach protects the Bank from criticism that it is interfering in recipient countries' political affairs, and attempts to simplify the process of measuring political commitment.

PREM may be moving away from emphasising the significance of this because it feels that political commitment is impossible to measure. PREM used to focus attention on generating will at the top, by finding 'champions' in government. Speeches from politicians committing support do not necessarily translate into concrete action, so instead PREM is turning to supporting reform from the bottom up with civil society (such as community empowerment efforts, particularly in the Africa region). Because it is prevented from lending directly to civil society organisations by its Articles, it will lend instead to localities and local governments.⁵⁵¹ This may suggest a differing approach to political will taken by PREM and WBI, with WBI insisting that political will at the top is essential to its strategy.⁵⁵²

There is another apparent divergence in approach between PREM and WBI, and the two may be linked. The PREM strategy document acknowledges criticism about the 'technocratic' nature of its work and discusses moves away from this approach; however, in the same document, WBI describes

World Bank initiative'. *TI Newsletter*. December. However, subsequent publications have called on the Bank to do just this: to reduce lending levels for countries that 'do not have convincing anti-corruption reform programmes in place and which do not collaborate with external efforts to promote such programmes'. Transparency International (2000). 'World Bank needs to strengthen its anti-corruption work, says Transparency International'. Press Release, 31 August.

⁵⁵⁰ See <http://www.worldbank.org/wbi/governance/overview.htm#whoarewe>.

⁵⁵¹ Two examples are loans to Guinea (Capacity Building for Service Delivery and Rural Decentralisation) and Cameroon (Decentralisation). Interview with Cheryl Gray, 2 February 2000, Washington DC.

⁵⁵² Kaufmann, D. (1999). 'New Frontiers in World Bank Programmes'. *Democracy Dialogue*. June. Washington DC: USAID-CDG, pp. 4-5.

its own approach as technocratic.⁵⁵³ Sutch believes that the work done by WBI is very different from the usual sectoral work being done, in that it is much more sensitive and could be accused of being very political (e.g., media training,⁵⁵⁴ parliaments). Hence, WBI insists on focusing on the empirical and technical side of its work to avoid criticism in this area and must have high-level political support to avoid accusations of political interference.⁵⁵⁵

Early anti-corruption assistance was focused on the ECA region (Albania, Georgia, Latvia) and AFR region (Benin, Ethiopia, Malawi, Mali, Tanzania, Uganda). Now the Bank is doing work of some kind in all regions. As of the 2000 follow-up report, the countries in which the Bank was doing anti-corruption work can be seen in Table 4.8.

Table 4.8: Countries Working with the Bank on Anti-Corruption Issues

Albania	Ecuador	Mozambique
Argentina	Ethiopia	Nicaragua
Armenia	Georgia	Nigeria
Azerbaijan	Ghana	Paraguay
Balkans Stability Pact	Guatemala	Philippines
Bangladesh	Guinea	Poland
Benin	India (some states)	Romania
Bolivia	Indonesia	Russia
Bosnia	Kazakhstan	Slovakia
Bulgaria	Kenya	Sri Lanka
Burkina Faso	Korea	Tanzania
Cambodia	Latvia	Thailand
Cameroon	Malawi	Uganda
Chad	Mali	Vietnam
China	Moldova	Yemen
Colombia	Morocco	Zambia

Source: World Bank (2000). *Helping Countries Combat Corruption*, p. 29.

However, the Bank makes it clear that,

It is important to note that this is not a list of countries that the Bank has singled out in which to investigate corruption, and that the occurrence of a country on the list is in no way indicative of the presence or absence of corruption in that country. Rather, this is a list of countries in which the Bank is working with governments and/or civil society, at their invitation, to help understand and systematically address problems of public sector performance and corruption. This work is conducted sometimes under the more general

⁵⁵³ World Bank (2000). *Reforming Public Institutions & Strengthening Governance*, pp. 17, 151.

⁵⁵⁴ Frank Vogl, formerly World Bank Director of Information and Public Affairs and now TI-USA, criticises WBI's work on media training, saying that the organisation lacks credibility, is inconsistent with its own research and is too open to unwanted influence. Bretton Woods Project (2001). 'World Bank warned: don't meddle with media'. *Bretton Woods Update*. 23(June/July), p. 8.

⁵⁵⁵ Interview with M. Helen Sutch, 8 January 2001, Washington DC. This work is indeed proving controversial. Mark Tomlinson, World Bank Country Director of Nigeria, has recently called out for the government to remove its Official Secrets Act from its constitution to assist the media in the country to investigate corruption. Garba, K.A. (2001). 'How media can boost anti-corruption campaign, by World Bank chief'. *The Guardian (Nigeria)*, 15 February. This can be seen as an example of Bank staff becoming too involved in a country's political affairs and ignoring the balance between the government's needs and the public's needs (or the donor institution's needs).

umbrella of public sector institutional reform. Our work with client countries is continually expanding, and this list is thus not meant to be exhaustive.⁵⁵⁶

According to the 1997 report: 'The main thrust of the Bank's support for countries' anticorruption efforts will be in helping to design and implement government programs'.⁵⁵⁷ Lending for public sector governance and institutional reform, for both adjustment and investment lending, rose from \$4 billion to \$7.5 billion from FY97 to FY99. Lending for Technical Assistance (TA) during this time averaged \$2 billion to \$2.5 billion per year.⁵⁵⁸ Some examples of country programmes to strengthen governance and combat corruption can be found in Appendix 12.

In Poland, the Bank focuses on 'minimising the extent to which [opportunities for rent-seeking, discretion and accountability] can influence behaviour, rather than relying solely on prosecution of corrupt individuals'.⁵⁵⁹ Sutch, one of the first Bank Staff to conduct anti-corruption work in the field, found one of the biggest challenges in both Poland and Latvia, was convincing first the prime minister, then the government and, finally, the people that combating corruption means creating or strengthening institutions to prevent or minimise the level of corruption that occurs in the first place. Instead, everyone saw fighting corruption as merely prosecuting the 'big fish'.⁵⁶⁰ Primarily because of this public cynicism, co-operation between the Bank, the government and civil society is vital. The strategy in Poland includes technical improvements (e.g., laws on lobbyists, improved procurement policies, Freedom of Information law), the use of a public conference to generate public interest and support, and surveys to highlight areas of importance.⁵⁶¹ This is clearly an on-going project.

In Latvia, Sutch was also at the forefront of the Bank's anti-corruption work. As early as 1996, Johannes Linn, VP for the ECA Region, spoke to Latvian Prime Minister Skele about Bank concerns with corruption in his country. According to Sutch, 'Mr. Skele was wary. He said he would think about it carefully and that, if he went ahead, he would not permit Latvia to be labelled as more corrupt than other countries because action was being taken there. He warned that he would walk away from the idea if any publicity originated from the Bank'.⁵⁶² After Wolfensohn's 'cancer of corruption' speech, Mr. Skele felt more comfortable that Latvia would not be singled out for attention and requested Bank help to fight corruption. He insisted the Bank work in secrecy though until he felt comfortable going public with the programme.⁵⁶³ The Bank accepted this and worked with the Prime Minister in the way he required until he decided otherwise. The Bank facilitated first a closed seminar for selected parliamentarians, followed by a public conference when the political leadership determined

⁵⁵⁶ World Bank (2000). *Helping Countries Combat Corruption*, pp. 28-29.

⁵⁵⁷ World Bank (1997). *Helping Countries Combat Corruption*, p. 27.

⁵⁵⁸ World Bank (2000). *Helping Countries Combat Corruption*, p. 29.

⁵⁵⁹ World Bank (1999). 'Corruption in Poland: Review of Priority Areas and Proposals for Action'. Warsaw Office, October 11 (Internal document), pp. 1-2.

⁵⁶⁰ Interview with M. Helen Sutch, 8 January 2001, Washington DC.

⁵⁶¹ World Bank (1999). 'Corruption in Poland', pp. 28-29.

⁵⁶² Sutch, M.H. (1999). 'Building an Anti-Corruption Strategy in Latvia'. 4 June, Mimeo (Internal document), p. 1.

the time was right. Diagnostic surveys conducted revealed that the police, tax and customs services needed to be the top priority,⁵⁶⁴ and the Bank was fortunate enough to have a 'champion' to work with in the tax and customs area.⁵⁶⁵ The Bank records improvements in the laws and practices in these areas resulting in an improvement in business and household attitudes towards these services as measured in user surveys.⁵⁶⁶ Part of this was the State Revenue Modernisation Project Loan in the equivalent of \$5.1 million, used to develop a 'sustainable state revenue service based on voluntary compliance and lower compliance cost'.⁵⁶⁷ Once again, the Latvian anti-corruption strategy is on-going, and there is still much work to be done.

These two countries illustrate some of the problems with the Bank's strategy in this area. These are examples of two successful programmes, producing the kinds of results the Bank wants to see. But when does it end? Where is the 'exit strategy'? If the Bank becomes this involved with each of its member countries, will there ever be a time when the Bank is not worried about corruption or capacity building? Sutch believes, 'Not in my working lifetime'. Institution building is so fundamental to its work, and there are countries so far behind others that there is a generation's worth of work to be done. This is why it is so important to build programmes at the country level. It is one thing to say 'work with civil society', but what do you do when civil society is too undeveloped to be helpful? For example, in Latvia Sutch first went in with a representative from TI whose only concern was starting a TI chapter. She kept trying to explain that there was not sufficient civil society support for a successful chapter, and after two days in the country, the TI representative agreed with her. This is no longer the case, but it illustrates how long-term this process is. It is questionable whether the Bank will be able to keep up momentum either at the country or institutional level in the long-term for this sort of work to be effective.

There are further methodological problems with this approach. Civil society is itself a highly contested concept, and this thesis is not the place to discuss in detail the burgeoning discourse. However, it is important to identify some key concerns regarding the World Bank's work in this area. The Bank has used the term extensively in its literature on good governance since the 1989 LTPS report, but has only recently offered a definition: 'Civil society consists of the groups and organizations, both formal and informal, which act independently of the state and market to promote diverse interests in society.'⁵⁶⁸ Civil society, for the Bank, is seen as a tool which can be used to empower ordinary people to take control of their own development, to hold the state accountable to its citizens and to provide for those services that the state is unable or unwilling to provide.

⁵⁶³ Sutch, M.H. (1999). 'Building an Anti-Corruption Strategy in Latvia', p. 16.

⁵⁶⁴ Anderson, J. (1998). 'Corruption in Latvia: Survey Evidence'. Prepared for the Corruption Prevention Council under their Corruption Prevention Program, 16 December, p. 15.

⁵⁶⁵ Sutch, M.H. (1999). 'Building an Anti-Corruption Strategy in Latvia', p. 21.

⁵⁶⁶ Sutch, M.H. (1999). 'Building an Anti-Corruption Strategy in Latvia', p. 22.

⁵⁶⁷ World Bank (1998). 'World Bank to Support Revenue System Modernisation in Latvia'. News Release No. 99/2024/ECA, 3 December.

⁵⁶⁸ World Bank (2001). 'What is Civil Society?'. Internet. 10 January. Accessed 10 August 2001. Available at <http://www.worldbank.org/wbp/scapital/sources/civil1.htm#top>.

According to Nagle and Mahr in their study on post-communist Europe, 'The term [civil society] is often used loosely by Western political pundits to describe the new democracies, with little critical analysis regarding whether civil society has been achieved and which elements might be lacking'.⁵⁶⁹ Kasfir concurs, arguing that, 'This concept of civil society has been shaped to serve the goal of better governance, particularly democratic reform, rather than a deeper understanding of the relationship between social formations, the associations that represent them and the state'.⁵⁷⁰ He further contends that donors and like-minded academics often systematically exclude from their arguments those segments of civil society that damage their hypotheses – those based on ethnicity or criminal gangs, for example, or those elements that might fight against democratisation efforts.

Abrahamsen discusses the placement of civil society within the discourse of good governance, focusing predominantly on the World Bank's contribution. As she explains, 'In the good governance discourse, civil society emerges as the key link between economic liberalisation and democratisation...[it] is regarded as a "countervailing power" to the state, a way of curbing authoritarian practices and corruption, hence the concern for strengthening or nurturing civil society'.⁵⁷¹ She argues that the Bank's notion of civil society is a 'romanticised' one, in which 'there are no classes, no races, no genders, ethnic groups or oppressors', and is not only unlikely to bring about the Bank's desired changes but could exacerbate existing political and economic problems.⁵⁷²

Abrahamsen sees the Bank's view of civil society as 'romanticised', as opposed to merely simplistic or naïve, because it uses particular language – 'empowerment', 'self-help', 'participation', 'partnership', 'community', 'voice' – to create a powerful image of the poor taking control of their own destiny and development away from a neglectful, perhaps even abusive, and often over-burdened state. Recalling '[e]choes of Gandhi at his spinning wheel', Francis calls this 'the manufacture of a collective dream of participation and community, behind the screen of which the levers of business remain quite intact'.⁵⁷³ Indeed, Abrahamsen argues, this discourse is merely a smoke-screen for the Bank's introduction of 'cost recovery' schemes into adjustment programmes, where the poor are encouraged to 'help themselves' by paying for basic health care, education and other public services.⁵⁷⁴ It does not enter into the Bank's argument that the poor, once 'empowered', may demand an increase in state-provided services. Indeed, just the opposite is true: 'Within the good governance discourse, then, empowerment is deprived of its radical, political implications, and becomes instead a highly

⁵⁶⁹ Nagle, J. & Mahr, A. (1999). *Democracy and Democratisation*, p. 64. For example, Jeffries points out that all World Bank discussions on civil society exclude any mention of trade unions. Jeffries, R. (1993). 'The State, Structural Adjustment and Good Government in Africa'. *Journal of Commonwealth and Comparative Politics*. 31(1), p.32.

⁵⁷⁰ Kasfir, N. (1998). 'Introduction: The Conventional Notion of Civil Society: A Critique'. In Kasfir, N. (ed). *Civil Society and Democracy in Africa: Critical Perspectives*. London: Frank Cass & Co. Ltd., p.1.

⁵⁷¹ Abrahamsen, R. (2000). *Disciplining Democracy: Development Discourse and Good Governance in Africa*. London: Zed Books Ltd., p. 52.

⁵⁷² Abrahamsen, R. (2000). *Disciplining Democracy*, p. 56. This finding is also reported in Hearn, J. & Robinson, M. (2000). 'Civil Society and Democracy Assistance in Africa'. In Burnell, P. (ed). *Democracy Assistance: International Co-operation for Democratization*. London: Frank Cass Publishers, pp. 241-262.

⁵⁷³ Francis, P. (2001). 'Participatory Development at the World Bank: The Primacy of Process'. In Cooke, B. & Kothari, U. (eds). *Participation: The New Tyranny?*. London: Zed Books Ltd., pp. 81, 87.

⁵⁷⁴ Abrahamsen, R. (2000). *Disciplining Democracy*, pp. 56-59.

instrumental term; the objective is to "capitalize on the energies and resources of the local people", who should pull their weight and thereby make development projects more cost-efficient'.⁵⁷⁵

While some scholars elaborate upon the problems with the Bank's definition and understanding of civil society and others of the ideology behind its inclusion in the Bank's discourse, others critically examine the way it is being funded. Ottaway and Carothers speak of the problems in funding civil society, done predominantly through the many NGOs that have cropped up in the past decade. Firstly, many of the NGOs seem to have been created to correspond with donor funding priorities,⁵⁷⁶ and secondly, NGOs have become 'attractive employment opportunities...for members of educated elites displaced by political change as well as by economic crisis and restructuring'.⁵⁷⁷ NGOs can also be state creations or dependencies, reflecting the flexibility of recipients in adapting donor trends to their own needs. As a result, these organisations may not be the vehicle for political change or the buttress against corruption that the donors desire.⁵⁷⁸ The scope for corruption may actually be increased simply by the willingness of donors to fund anti-corruption projects, with new opportunities for consultants, civil servants, training agencies, NGOs and others to claim a unique role in the fight against corruption.⁵⁷⁹

The main concern here for this thesis is not to argue that civil society does not have an important role in checking the power of the state. Instead, my intention is to highlight some of the fundamental methodological weaknesses with the Bank's approach to fighting corruption through civil society. Not only is this work extremely complex, it is also politically controversial. Funding NGOs and other civil society groups to 'empower' citizens to hold the government to account raises questions of sovereignty and the Bank's non-political mandate.⁵⁸⁰ TI is the most often-cited civil society group with which the Bank works on corruption, but others include: IRIS, Global Coalition for Africa, Centro Latinoamericano de Administracion para le DeSarrollo, Carter Center, Asia Foundation, Civil Service

⁵⁷⁵ Abrahamsen, R. (2000). *Disciplining Democracy*, p. 59. This includes a partial quote from World Bank (1989). *Sub-Saharan Africa: From Crisis to Sustainable Growth*. Washington DC: World Bank, p. 58.

⁵⁷⁶ Cooksey speaks of the problematic nature of TI's anti-corruption work, because 'TI chapters rely on donors for their core funding and other activities, and are therefore unlikely to want to bite the hand that feeds them'. Cooksey, B. (1999). 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?'. Paper given at the 9th International Anti-Corruption Conference (IACC), Durban, South Africa, 10-15 October, p. 16. This calls into question TI's ability to pursue avenues that might offend the donor community or contradicts other donor priorities, such as work with trade unions.

⁵⁷⁷ Ottaway, M. & Carothers, T. (2000). 'Toward Civil Society Realism'. In Ottaway, M. & Carothers, T. (eds). *Funding Virtue: Civil Society Aid and Democracy Promotion*. Washington DC: Carnegie Endowment for International Peace, p. 299.

⁵⁷⁸ One example is the 31st December Women's Movement (31stDWM), headed by the wife of former Ghanaian president Jerry Rawlings. It was originally part of the Provisional National Defence Council (PNDC), Rawling's political party and was used to generate political support for Rawlings campaign from women. However, in the 1980s, the 31stDWM withdrew from the PNDC to become an NGO, in order to receive aid money. Its nature may have changed but its purpose remains the same. Sandbrook, R. & Oelbaum, J. (1997). 'Reforming Dysfunctional Institutions Through Democratisation? Reflections on Ghana'. *Journal of Modern African Studies*. 35(4), pp. 623-625.

⁵⁷⁹ In a recent Bank-sponsored email discussion group on anti-corruption strategies, no fewer than six individuals offered their services to the Bank as consultants. This is, of course, not evidence of corruption or even corrupt intent. It does however remind us that where demand has been created, there will always be 'experts' to fill that demand.

⁵⁸⁰ Nelson, P. (1995). *The World Bank and Non-Governmental Organizations: The Limits of Non-political Development*. London: Macmillan Press Ltd., pp. 112-141.

College (UK), Open Society Institute, Escola de Administracao Fazendaria (Brazil), Ford Foundation, Lawyers Committee for Human Rights, Danish Center for Human Rights, Institute for Democracy in South Africa, National Democratic Institute, Institute for Democracy and Electoral Assistance (Sweden), Centre Quest-Africain des Media et du Developpement, Association of Journalists (Tanzania), Uganda Management Institute, Radio Nederland and the Groupe de Recherche et d'Echanges Technologiques.⁵⁸¹ Most of the civil society groups listed above would have been considered off-limits for Bank funding in the recent past, being specifically linked to democratisation initiatives.

In addition, different Bank objectives might also come into conflict. For example, cost recovery schemes for education and health, in which local schools and hospitals are allowed to charge fees for services, or local NGOs are given the resources to provide these services, have sometimes resulted in excessive charges and outright bribery. This must be taken into account when the Bank claims that its work on decentralisation and civil society helps to fight corruption.

Participatory Learning and Workshops

Training is represented in the main by the Anti-Corruption Core Course, piloted last year for seven African countries: Benin, Ethiopia, Ghana, Kenya, Malawi, Tanzania and Uganda. This course is intended for Bank staff and clients, and the first pilot was held in four phases between June and November 1999. Participants included senior policy makers, public officials, legislators, the private sector, and civil society linked to anti-corruption. The cost of the course is \$1,500, which includes tuition, course materials, meals and hotel accommodation in Washington DC.⁵⁸² Findings of the course were presented in a workshop at the 9th IACC in Durban in October 1999 and have been published under the title *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*.⁵⁸³ WBI intends to continue the pilot in the other regions, starting in Latin America in 2000, followed in South Asia and Eastern Europe at a future unspecified date. Resource Team Members, as Bank staff involved in the project are called, included Wolfensohn; Joseph Stiglitz, Senior Vice-President and Chief Economist;⁵⁸⁴ Robert McNamara, former Bank President; Vinod Thomas,

⁵⁸¹ For these and others, see World Bank (2000). *Helping Countries Combat Corruption*, pp. 31-32.

⁵⁸² However, partial financial assistance is available.

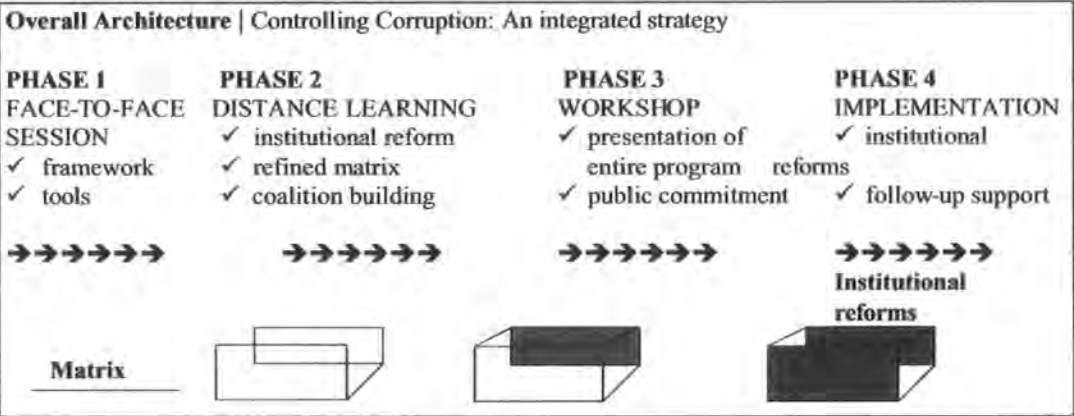
⁵⁸³ WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*. Prepared as background for the 9th Annual International Conference Against Corruption (IACC), Durban, South Africa, 10-15 October.

⁵⁸⁴ Stiglitz resigned in late 1999 in somewhat controversial circumstances, criticising the Bank's emphasis on growth over distribution and its use of conditionality. See Beattie, A. (1999). 'World Bank aid strategy flawed says Stiglitz'. *Financial Times*. 29 November; Lobe, J. (1999). 'Stiglitz Calls for More Open Debate, Less Conditionality'. *World News: Inter Press Service*, 30 November; Stiglitz, J. (1999). 'The World Bank at the Millennium'. *The Economic Journal*. 109(November): F577-F597. For an interesting exposé of Stiglitz's acrimonious departure from the Bank following these criticisms, see Wade, R. (2001). 'Showdown at the World Bank'. *New Left Review*. January/February, pp. 124-137. His replacement has proven even more controversial: Professor Nick Stern, former chief economist at the European Bank for Reconstruction and Development (EBRD), whose brother, Richard Stern, is the Bank's human resources vice-president. The Bank's rules specifically forbid the employment of close family members. This has led not only to external criticism but also to criticism from the Bank's staff association, who warn President Wolfensohn that such an appointment could be interpreted as nepotism and may 'ultimately demean the ability of staff to speak in a credible way with clients about corruption

Director of WBI; Maria Gonzalez de Asis and Jakob Svensson, Project Task Managers; Donald MacDonald, Distance Learning Manager; and Daniel Kaufmann, Senior Manager.

Its aims are, (1) 'providing the participants with concrete tools to prepare and implement action programmes to fight corruption and improve governance', and (2) 'creating an environment in which participants from different segments of society can work together to review results of successful (and unsuccessful) practices and reforms.' Put another way, according to Wolfensohn: 'The purpose of this course is how it is you can develop programmes which we can support. Enthusiasm for the process differs, but it is a process. You are teaching staff from the Bank here too. It is a strong interactive process'.⁵⁸⁵ With even more emphasis on the Bank's humble role, Kaufmann describes the Bank as a 'facilitator', despite this not necessarily being the Bank's 'second nature'.⁵⁸⁶ There are six key features of the approach taken by the course: (1) it is participatory; (2) it is driven by the country team; (3) it is intended to create public pressure; (4) the analysis translates into programme design; (5) the emphasis is placed on institutional reform; and finally, (6) 'the integration among the above components, internationalisation with the country leadership, and initiation of concrete anti-corruption reforms'.⁵⁸⁷

Fig. 4.5: The Anti-Corruption Core Course



Source: WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, p. 24.

In the first phase the Bank provided a blank matrix (see Appendix 13) as well as support and training. It is up to the country representatives themselves to identify key areas of need and also to suggest solutions. Once again, the importance of ownership by the borrowing country and the need to mobilise the public behind the anti-corruption campaign is evident. Following on from WBI's research in this area, there is an emphasis on empirical studies, institution-building and the need for co-

and hamper our work in issues of governance'. Atkinson, M. (2000). 'World Bank accused of nepotism and corruption'. *The Guardian*. (London). 17 March, p. 28. Professor Stern was, however, appointed by Wolfensohn as chief economist in July 2000 despite such criticism.

⁵⁸⁵ WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, p. 14.

⁵⁸⁶ WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, preface.

⁵⁸⁷ WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, p. 7.

ordination, between the Bank and the country and also with other countries. Appendix 14 provides a breakdown of activities during Phase 1 which highlights areas of emphasis and training.

Phase Two was organised over a four-week period with two video conferences each week between WBI and two of the countries involved. This allowed countries to share their findings with others in order to enhance the learning process and also to encourage competition among countries.⁵⁸⁸ Phase Two covered four main areas: the rule of law, financial management and procurement, civil service reform and customs reform. WBI provided training in the form of case studies and with in-country visits by relevant experts. The matrixes were completed by the end of this phase. See Appendix 15 for a summary of matrix results. Most of the seven participant countries prioritise different areas; however, some patterns do emerge. Four areas in particular are highlighted by at least two of the countries: the importance of political will; improving legal and judiciary systems and law enforcement; reform of public sector institutions; and education of the public and civil society. As discussed previously, Phase Three saw the presentation of these matrices and discussions at the 9th IACC in Durban, and from the quotes included in the programme brief, it appears that participants were happy with the final results. Words used include 'unprecedented', 'tremendous help', 'new level of understanding', 'fabulous', 'working together', and 'we look forward to continued partnership'.⁵⁸⁹

WBI says that the Core Course showed that a participatory approach 'can successfully help countries develop strategies to fight corruption'.⁵⁹⁰ However, Phase Four, which is ongoing, will be where the success or failure of the approach will be judged. Here, WBI uses the results of the core course to help participant countries develop comprehensive anti-corruption programmes. This strategy involves two parallel activities. First, WBI creates a counsel or steering committee to start developing an anti-corruption plan, a process already completed in Ghana (see Box 4.1). At the same time, WBI hires a local firm to implement its diagnostic surveys of households, public officials and enterprises.⁵⁹¹ According to Zoido-Lobaton, 'The idea is to feed these diagnostics into the counsel [or steering committee] and help...support institutional reform...we use this [survey] data to generate more debate and to support different institutional reforms we think are important...[while] making this whole process as participatory as possible'.⁵⁹² In order to keep the momentum going after the surveys have been conducted and the results have been made public during a WBI-organised workshop within the country, WBI tries to get the support of the media and civil society, the involvement of the regional or country unit of the Bank and permission from the government to implement any reforms. This kind of work has already been done in Albania, Georgia, Latvia, Ecuador and Paraguay, and is currently being done in Thailand, Cambodia, Nigeria, Ghana, Ethiopia, Burkina Faso, Bosnia and Romania.

⁵⁸⁸ Interview with Pablo Zoido-Lobaton, 2 February 2000, Washington DC.

⁵⁸⁹ WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, pp. 13-15.

⁵⁹⁰ World Bank (2000). *Helping Countries Combat Corruption*, p. 36.

⁵⁹¹ WBI (1999). *New Empirical Tools for Anti-Corruption and Institutional Reform*.

⁵⁹² Interview with Pablo Zoido-Lobaton, 2 February 2000, Washington DC.

Box 4.1: The Ghana Anti-Corruption Coalition

The Ghana Anti-Corruption Coalition was formed in January 2000 following the Core Course, and its members include the Commission for Human Rights and Administrative Justice, the Serious Fraud Office, the National Institutional Reform Program, the Institute of Economic Affairs, the Center for Democracy and Development (CDD), the Ghana Journalists Association, the Private Enterprise Foundation, and the Ghana Integrity Initiative – the local chapter of TI.⁵⁹³ The Coalition is designed to create ‘a forum for interaction between the three arms of government; public and private sector institutions; and civil society groups working in the area of anti-corruption’.⁵⁹⁴ The work done by the Coalition includes,

- Fostering co-operation between international organisations and donor agencies in their anti-corruption efforts;
- Encouraging the exchange of information and joint ownership of programmes to best utilise existing resources;
- Helping create transparency in government, public and private enterprise and civil society;
- Helping organise seminars, surveys, etc.; and
- Helping strengthen its members and any other anti-corruption bodies.⁵⁹⁵

WBI repeatedly refers to the Core Course as an example of true country ownership. According to Zoido-Lobaton,

The idea was to work with them to develop a strategy for their own country, so you have different matrixes and introduction to the matrixes, which the country themselves came out with. The main problem areas and what different groups, civil society and government, could do to solve this problem. And this was particularly interesting because in the country teams, you’ve got people from government and people from civil society working together, for in many countries the first time. The countries were teaching themselves, telling each other what they were doing. So the idea was, you know, they were comparing on strategies and you’ve got a little bit of competition...and they can learn from one another, instead of just coming from the Bank and saying “This is what you’ve got to do.”⁵⁹⁶

Despite this, true ‘ownership’ of this process by the countries themselves is questionable. Firstly, those attending the Course may or may not include high level government ministers, and heads of state may have nothing to do with it at all. This means that team members must go back to their countries, matrix in hand, and encourage the necessary political will needed to tackle many of the

⁵⁹³ Transparency International (2000). ‘Country Activities’. *TI Newsletter*, September.

⁵⁹⁴ WBI (2000). ‘Ghana Anti-Corruption Coalition’. Internet. Accessed November 2000, p. 2. Available at http://www.worldbank.org/wbi/governance/pdf/guide_pdfs/08b-ghana_example.pdf.

⁵⁹⁵ World Bank (2000). *Helping Countries Combat Corruption*, p. 2.

highlighted problems. Secondly, the Bank has designed the Course, and it is obvious from the matrix results that countries do not deviate from a Bank-selected agenda. Areas highlighted include political will, rule of law, the judiciary, the public sector, mass education, corruption surveys, ethics training, procurement, civil society, financial management, customs, taxation and the media. These areas all fit into the Bank's strategy as illustrated in Figure 4.4. Using Bank matrices, Bank research, Bank training, Bank facilities, Bank diagnostics and Bank funding, it seems unlikely that countries would develop programmes that did not correspond exactly with the Bank's own programme. Achieving 'true' country ownership may be a little more difficult than the Bank imagines.⁵⁹⁷

Taking Corruption More Explicitly into Account in CAS, Country Lending Considerations, the Policy Dialogue, Analytical Work, and the Choice and Design of Projects

The 'key thrust' of the Bank's mainstreaming activities is the inclusion of governance and corruption issues in the Country Assistance Strategy (CAS).⁵⁹⁸ The CAS '(a) describes the Bank Group's strategy based on an assessment of priorities in the country, and (b) indicates the level and composition of assistance to be provided based on the strategy and the country's portfolio performance'.⁵⁹⁹ It is discussed with the recipient government but not negotiated. The Bank's Anti-Corruption Action Plan for FY99 required that all CASs took governance and corruption explicitly into account,⁶⁰⁰ while the FY00 Action Plan places continuing emphasis on this ongoing project.⁶⁰¹ A study of thirty-seven CASs completed from January 1998 to June 1999 show that 78% mention governance and corruption while two-third attempt to mainstream the issue.⁶⁰² The Bank insists there is still plenty of room for improvement. '[T]he CAS should outline the country's agenda for improving governance

⁵⁹⁶ Interview with Pablo Zoido-Lobaton, 2 February 2000, Washington DC.

⁵⁹⁷ There is an ongoing study on the effectiveness of WBI's anti-corruption work, being conducted by Carolien Klein Haarhuis, a Ph.D. candidate at the University of Utrecht. However, this will not be completed for up to two years. She has published some preliminary findings with her supervisor, Professor Frans Leeuw. These are mixed at best. The researchers find that the underlying 'policy theory' of WBI's work is strong, especially in the role of civil society and social capital as tools to fight corruption (although the evaluators do believe that it is perhaps overly dependent upon empirical studies). However, they do find three main flaws that lead them to question the programme's potential to achieve its goals:

- Participation in the Core Course or workshop does not mean that those involved will implement this when they return to their home countries. This returns us to earlier questions regarding political will.
- The evaluators question how the diagnostic tools, such as workshops and surveys, can be effectively disseminated to the public, in order to raise awareness of corruption, in developing countries with inadequate communication infrastructure.
- Finally, there is no reason to believe that knowledge equals action, that the information gathered by the diagnostic tools will necessarily lead to action.

See Klein Haarhuis, C. & Leeuw, F. (2000). 'Fighting Corruption: Evaluating Impact and the World Bank Institute's Program Theory'. Mimeo, University of Utrecht, p. 7; Klein Haarhuis, C. & Leeuw, F. (2000). 'Measuring and Explaining Variance between Anti-Corruption Policies'. Paper presented at the EES Conference - Working Group Realist Evaluations, Lausanne, 12-14 October 2000, p. 6.

⁵⁹⁸ See <http://www1.worldbank.org/publicsector/anticorrupt/resultsmainstreaming.htm>.

⁵⁹⁹ World Bank (2000). 'What is a Country Assistance Strategy?'. Internet. Accessed November 2000. Available at <http://www.worldbank.org/html/pic/cas/whatis.htm>.

⁶⁰⁰ World Bank (2000). *Helping Countries Combat Corruption*, p. 57.

⁶⁰¹ World Bank (2000). *Helping Countries Combat Corruption*, p. 63.

⁶⁰² World Bank (2000). *Helping Countries Combat Corruption*, p. 38.

and combating corruption and should include a monitorable programme to assess progress'.⁶⁰³ As part of the Bank's new information disclosure policy,⁶⁰⁴ the Executive Directors approved a new policy in June 1998 requiring CASs become available to the public, as long as the government concerned gives permission. It is unlikely that a government will deny such permission as it sends out a strong signal that it is trying to hide something. Thus far, no country has refused permission to publish its CAS.⁶⁰⁵

After the CAS is completed, evaluation is done by several different departments, including individual sectors that monitor their own work (e.g., health, education, public sector, etc.) and the Operations Evaluation Department (OED). The CAS is 'owned' by the Country Director, who evaluates overall performance and then includes further concerns in the next CAS, three years later. On the ground, the Bank likes to use domestic NGOs to help monitor work in progress and will seek out 'committed partners' locally to assist its evaluation process.⁶⁰⁶ Helen Sutch is currently working on providing more guidance for the inclusion of governance and anti-corruption issues in the future, to provide cohesion that will make evaluation of results easier. Currently, Country Teams produce a draft CAS that is given to PREM to make suggestions. The next time PREM sees it is in its final draft form. She wants to give them guidelines to follow before they even begin writing.⁶⁰⁷

⁶⁰³ World Bank (2000). *Helping Countries Combat Corruption*, p. 38.

⁶⁰⁴ World Bank (2000). 'World Bank Policy on Information Disclosure (Discussion Draft)'. Internet. Accessed September 2000. Available at <http://www.worldbank.org/html/pic/disclosure/draftpolicy-en.pdf>.

⁶⁰⁵ Interview with M. Helen Sutch, 8 January 2001, Washington DC.

⁶⁰⁶ Interview with M. Helen Sutch, 8 January 2001, Washington DC.

⁶⁰⁷ Interview with M. Helen Sutch, 8 January 2001, Washington DC.

Box 4.2: Ghana's CAS

Ghana's CAS was completed in June 2000 and is available to the public. Concerns over corruption and governance are candidly discussed, and the Bank provides several recommendations for dealing with it. According to the CAS, 'It is encouraging to note the importance that the Government attaches to governance issues, especially anti-corruption and decentralisation. Yet the pace of decentralisation has been slow, and the Government is perhaps over-cautious in the speed at which it wishes to move. This will continue to be a primary dialogue issue, but also calls for a major effort in capacity building. It is weak capacity, especially in financial management, that is the Government's greatest fear in decentralisation'.⁶⁰⁸ The report also questions the Government's commitment to 'speedy and transparent' privatisation and points out that the public sector is still bloated and inefficient with previous reforms unsustainable.⁶⁰⁹ Finally, problems in procurement are highlighted. 'There is a need for simple and transparent systems, including in public procurement. Excessive bureaucracy creates opportunities for corruption and identified corrupt officials are often not sanctioned...there is mistrust between Government and civil society. The flow of information is inadequate and there are few established mechanisms to promote a partnership between Government and civil society'.⁶¹⁰ The report concludes that the Government lacks the necessary political will at the top to disengage from the public sector where appropriate, leaving it overextended and unable to best provide the public services for which it should be responsible.⁶¹¹ However, the Bank points to the quality of leadership within Parliament, believing that Parliament will play its necessary role in encouraging the executive to stand by reform.⁶¹² Upcoming projects to help address these problems and support anti-corruption efforts include helping build procurement capacity, carrying out a survey on corruption (WBI), identifying areas for improvement in financial management through a new CFAA, and, of course, taking 'a strong stand if corruption is identified in our projects'.⁶¹³

⁶⁰⁸ World Bank (2000). 'Memorandum of the President of the International Development Association and the International Finance Corporation to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Ghana'. CAS No. 2018S-GH, 29 June, p. 3. It is of course also possible that the central government fears losing control of resources.

⁶⁰⁹ World Bank (2000). 'Memorandum...', pp. 3,5.

⁶¹⁰ World Bank (2000). 'Memorandum...', pp. 14-15.

⁶¹¹ Since Ghana's CAS was completed, there has been a change in leadership. I asked Sutch what impact such a change could have on the CAS. She replied,

On the CAS, there is frequently a discussion of political economy, including risks should the government change. In fact one of the main points of having a CAS is to provide a strategy that takes account of risks and uncertainties. There are normally three scenarios: the base case or most likely, the high case and the low case. If there was slippage on specified policy or implementation triggers under a new government, then the country program would go into low case. This means that lending and other activities would be cut back, typically to more social and welfare sustaining activities. In the limit, lending and the country program would be suspended altogether (as has been done in a small number of cases). If performance is better than expected at the time the strategy is adopted, it is possible to gear up to a higher level of activity whose nature will already have been envisaged and laid out in the CAS.

Sutch, M.H. (2001). Email to the author. 11 December. It will be interesting to note any changes in this regard in the next CAS following a significant change in leadership with the step-down of President Jerry Rawlings.

⁶¹² World Bank (2000). *Helping Countries Combat Corruption*, p. 12, Annex C, p. 2.

⁶¹³ World Bank (2000). *Helping Countries Combat Corruption*, p. 15.

The regions have an active role to play beyond the CAS process, and all regional VPs have incorporated the Bank's four-pronged plan into their own regional plans. For example, the East Asia and Pacific (EAP) Region has established an Anticorruption Advisory Group, consisting of two former heads of government from East Asia and figures from TI, the private sector and academia. The Group advises the Bank on practical matters and provides a forum for debate with the Country Directors and other Bank staff in the region.⁶¹⁴ The most recent meeting in February 2000 in Bangkok focused primarily on the private sector's role in combating corruption.⁶¹⁵ In the South Asia Region (SAR), a January 2000 country report entitled 'India: Policies to Reduce Poverty and Accelerate Sustainable Development', includes an entire chapter on good governance, focusing on the rule of law, public sector reform, financial management, decentralisation, accountability and anti-corruption work.⁶¹⁶ The ECA Region focuses on similar issues, within the context of transition, in a sector brief entitled 'Poverty Reduction and Economic Management in Europe and Central Asia'.⁶¹⁷ The MNA Region provides a sector brief specifically on public sector management.⁶¹⁸ The LAC Region has by far the most advanced work within the Bank on public sector reform, with anti-corruption work firmly under the auspices of the Public Sector Group.⁶¹⁹ This Group has produced several influential documents, including *Beyond the Washington Consensus: Institutions Matter*.⁶²⁰

The AFR Region's website provides a brief regional overview that mentions the anti-corruption work being done by WBI in the region,⁶²¹ however, unlike the other regions, there is nothing else on the website to suggest that anti-corruption has been 'mainstreamed' by the Region or that it considers governance work a priority. This is particularly interesting when one considers that governance and anti-corruption work in the Bank originated in the AFR Region and that a lot of attention has been paid to the region by WBI and PREM. Brian Levy, Sector Manager of the Public Sector and Capacity Building Unit (AFR), believes that corruption is merely an outcome of systemic failures in institutions. Hence, you need to go beneath corruption to 'find a new layer'. Focusing on corruption, according to Levy, is not useful because it ignores the deeper issues at work. In the AFR Region, therefore, the emphasis is on 'capacity building', with two major thrusts: (1) institutional work on accountability, to ensure that money is spent on what it should be, and (2) getting money closer to

⁶¹⁴ World Bank (2000). *Helping Countries Combat Corruption*, p. 41.

⁶¹⁵ World Bank (2000). 'Key Points from the EAP Anti-corruption Advisory Group Meeting: Third Meeting with EAP Management Team'. Internet. Accessed November 2000. Available at <http://www.worldbank.org/eapsocial/library/anticorrupt.pdf>.

⁶¹⁶ World Bank (2000). 'India: Policies to Reduce Poverty and Accelerate Sustainable Development'. Internet. Accessed November 2000. Available at [http://WBLN1018.worldbank.org/sar/sa.nsf/Attachments/GoodGovernance/\\$File/chapt4.pdf](http://WBLN1018.worldbank.org/sar/sa.nsf/Attachments/GoodGovernance/$File/chapt4.pdf).

⁶¹⁷ World Bank (2000). 'Poverty Reduction and Economic Management in Europe and Central Asia'. Internet. Accessed November 2000. Available at <http://wbln0018.worldbank.org/eca/eca.nsf/66d6f5004ed085ca852567d10011a8b8/2adef1166610169b852567f500043237?OpenDocument>.

⁶¹⁸ World Bank (2000). 'Public Sector Development'. Internet. Accessed November 2000. Available at <http://wbln0018.worldbank.org/mna/mena.nsf/All/15E5A7D63C9AB368525695200586920?OpenDocument>.

⁶¹⁹ For further information on the LAC Region's work on good governance and corruption, see <http://wbln0018.worldbank.org/external/lac/lac.nsf/45b1a64b68f7a2d3852567d6006c364a/9947299068d941c4852567ee00568da9?OpenDocument>.

⁶²⁰ Burki, S. & Perry, G. (1998). *Beyond the Washington Consensus: Institutions Matter*. Washington DC: World Bank.

⁶²¹ See <http://www.worldbank.org/af/overview.htm>.

citizens, through increased participation and community empowerment.⁶²² This fits perfectly with the CDF approach but does deviate from the way the other regions present their anti-corruption work.

In order to retain interest within the Bank itself and to help build internal capacity and support for the mainstreaming process, the Development Research Group (DRG) and PREM each conduct research on corruption and distribute this throughout the Bank, as well as to the public. Appendix 16 contains a full list of DRG and PREM publications as of June 2000. Research at WBI tends to focus on areas such as learning how to measure governance and transparency⁶²³ and is available for download as working papers, articles and case studies, or for purchase as books. WBI also provides links to several bibliographies on corruption, including those of PREM, USAID, Chr. Michelsen Institute, the Nathanson Centre for the Study of Organised Crime and Corruption, and so on. The following databanks are also available: Governance Research Indicators Dataset, Country Snapshots, Enterprise Surveys, Unofficial Economy Dataset, In-Country Diagnostic Surveys, Transition Economies, Data Graphs and Maps and Other Data Links. This data is provided for empirical research and learning activities.

Case studies are used primarily as training material, but so far only three are available.⁶²⁴ Likewise, WBI has published only a few books, preferring to collaborate with other organisations both inside and outside the Bank.⁶²⁵ Hence, the bulk of WBI's research is in the form of working papers and articles, available for download with several translated into Spanish and Russian. This research is broken into the following categories: state capture,⁶²⁶ governance,⁶²⁷ corruption,⁶²⁸ the unofficial economy,⁶²⁹ transparency⁶³⁰ and transition economies.⁶³¹

⁶²² Interview with Brian Levy, 9 January 2001, Washington DC. See also, World Bank (2000). 'Community Driven Development: A Vision of Poverty Reduction through Empowerment'. Mimeo – draft version only.

⁶²³ See, for example, Isham, J., Kaufmann, D. & Pritchett, L. (1996). 'Governance and the Returns to Investment: An Empirical Investigation'. World Bank Working Paper No. 186; Kaufmann, D., Kraay, A., & Zoido-Lobaton, P. (1999). 'Aggregating Governance Indicators'. Washington DC: World Bank Institute.

⁶²⁴ González de Asís, M. (2000). 'Reducing Corruption: Lessons from Venezuela'. Washington DC: World Bank Institute; Larsen, A. & Ytzen, F. (1997). 'Investigative Journalism: Freedomia'. Washington DC: Economic Development Institute; Stapenhurst, F. (1997). 'Public Expenditure Management: Kariba'. Washington DC: Economic Development Institute.

⁶²⁵ For example, Kaufmann, D., Schloss, M. et al. (1998). *New Perspectives on Curbing Corruption (a Joint TI/WBI publication)*. Washington DC: World Bank Institute; Klitgaard, R., Maclean-Abaroa, R. & Parris, H.L. (2000). *Corrupt Cities: A Practical Guide to Cure and Prevention*. Oakland, CA: ICS Press (with WBI); Stapenhurst, F. & Kpundeh, S. (eds) (1999). *Curbing Corruption: Toward a Model for Building National Integrity*. Washington DC: World Bank; Thomas, V. et al. (2000). *The Quality of Growth*. Oxford: Oxford University Press; World Bank (2000). *Anti-Corruption in Transition: A Contribution to the Policy Debate*. Washington DC: World Bank.

⁶²⁶ For example, Hellman, J., Jones, G. & Kaufmann, D. (2000). 'Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition Economies'. World Bank Policy Research Working Paper No. 2444, September; Hellman, J. et al. (2000). 'Measuring Governance, Corruption, and State Capture: How Firms and Bureaucrats Shape the Business Environment in Transition Economies'. World Bank Policy Research Working Paper No. 2312, April.

⁶²⁷ For example, Kaufmann, D., Kraay, A. & Zoido-Lobaton, P. (1999). 'Aggregating Governance Indicators'. Washington DC: World Bank Institute; Ng, F. & Yeats, A. (1999). 'Good Governance and Trade Policy: Are They the Keys to Africa's Global Integration and Growth?'. World Bank Policy Research Paper No. 2038, January; World Bank (1999). 'Can Corruption Be Measured? Bank Offers Diagnostic Tools to Measure and Combat Corruption in Member Countries'. *Bank's World*, June.

⁶²⁸ For example, Gray, C. & Kaufmann, D. (1998). 'Corruption and Development'. *Finance and Development*. March; Kaufmann, D., Pradhan, S. & Ryterman, R. (1998). 'New Frontiers in Diagnosing and Combating

'Grand corruption'⁶³³ often has several international dimensions that donor agencies and borrowers need to take into account when designing anti-corruption strategies. Procurement often involves several businesses, both local and foreign. Money-laundering turns seemingly domestic forms of corruption into international ones (e.g., money skimmed off a local construction contract sent to a numbered bank account in Switzerland). Because of this international dimension, the Bank must be involved in anticorruption work at the international level for its own programmes to work at the country level.⁶³⁴ As it points out,

International efforts play an important role in combating these dimensions of corruption. Numerous international organisations and alliances are collaborating to promote global co-operation in criminalising international bribery, both in capital-exporting as well as in developing countries; to promote international co-operation in detecting and prosecuting transnational offences such as international money laundering; and to gather lessons of experience from across countries, providing knowledge and training to governments that have less experience in combating corruption.⁶³⁵

All international organisations are limited in some way by their mandate and level of resources, creating a need to focus on comparative advantage.⁶³⁶ Even an organisation as large and well-funded as the Bank cannot combat all aspects of international corruption single-handedly, even without the limitations put upon it by its Articles of Agreement. Therefore, the Bank has developed partnerships with certain international organisations and initiatives to create a better environment for its own anti-corruption programmes. The Bank describes its approach for supporting international efforts as,

- helping co-ordinate both cross-border and in-country anti-corruption efforts,
- forming strategic collaboration arrangements with other organisations, and

Corruption'. PREM Note No. 7, October; Kindra, G.S. (1998). 'Social Marketing to Fight Corruption'. WBI Working Paper; Stapenhurst, F. (2000). 'The Media's Role in Curbing Corruption'. WBI Working Paper.

⁶²⁹ For example, Friedman, E. et al. (2000). 'Dodging the Grabbing Hand: The Determinants of Unofficial Activity in 69 Countries'. *Journal of Public Economics*. 76(3), pp. 459-493; Johnson, S., Kaufmann, D. & Zoido-Lobaton, P. (1998). 'Regulatory Discretion and the Unofficial Economy'. *American Economic Review*. 88(2), pp. 387-392.

⁶³⁰ For example, Florini, A. (1999). 'Does the Invisible Hand Need a Transparency Glove? The Politics of Transparency'. Paper read at the Annual World Bank Conference on Development Economics, Paris, 28-30 April; Vishwanath, T. & Kaufmann, D. (1999). 'Toward Transparency in Finance and Governance'. World Bank Policy Research Working Paper, September.

⁶³¹ For example, Kaufmann, D. (1997). 'Why is Ukraine's Economy - and Russia's - Not Growing?'. *Transition*. April, pp. 5-8.

⁶³² Unless otherwise noted, this section draws on PREM's website. This is available at <http://www.worldbank.org/publicsector/anticorrupt/supporting.htm>.

⁶³³ A phrase attributed to Moody-Stuart, G. (1997). *Grand Corruption: How Business Bribes Damage Developing Countries* (3rd ed.). Oxford: Worldview Publishing.

⁶³⁴ World Bank (2000). *Helping Countries Combat Corruption*, p. 43.

⁶³⁵ See <http://www1.worldbank.org/publicsector/anticorrupt/supporting.htm>.

⁶³⁶ World Bank (2000). *Helping Countries Combat Corruption*, p. 43.

- deepening its knowledge about corruption and disseminating it internationally.⁶³⁷

The Bank's partners fall into the following categories: other multilateral development banks (MDBs),⁶³⁸ international organisations, donor agencies, NGOs and the business community. It is able to share 'lessons learned' among all the groups it works with and is also able to conduct co-ordinated activities with one or more partners. This section will not touch upon the work done by other donor agencies, as this will form the basis of the next chapter.

The MDBs, including the Bank, have formed a working group on governance, corruption and capacity building that looks at borrower performance criteria, improving the governance environment (e.g., new lending products, governance assessments, public expenditure management reform), improving project management, and examining specific anticorruption activities and procedures.⁶³⁹ In addition, the AfDB and ADB have developed their own policies on corruption that closely mirror that of the Bank.⁶⁴⁰ The MDBs focus on accountability, transparency, combating corruption, participation, public sector reform, privatisation and legal and judicial reforms. However, the EBRD as an organisation is quite unlike any of the other MDBs. The EBRD was founded on the principle of supporting democracy within its member countries. Unlike the other MDBs, including the World Bank, it has a legal mandate to address political issues in its work, specifically limiting its activities to countries that are liberal democracies or are moving in that direction.⁶⁴¹ However, it does not have a specific anti-corruption policy and does not at this time conduct any anti-corruption work.⁶⁴²

The Bank has been an observer of the OECD Working Group on Bribery since 1998, which has sought to 'outlaw the bribery of foreign public officials and end the tax deductibility of foreign bribes'.⁶⁴³ This group produced the 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions' in November 1997,⁶⁴⁴ which went into effect on 15 February 1999. The Convention was originally signed by all twenty-nine member countries and five non-

⁶³⁷ World Bank (2000). *Helping Countries Combat Corruption*, p. 44.

⁶³⁸ These include the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IADB).

⁶³⁹ World Bank (2000). *Helping Countries Combat Corruption*, p. 44.

⁶⁴⁰ I was told that this is 'not by coincidence' but a direct result of the G7 statement on corruption in 1996 that urged the regional banks to formulate policy based on the principles established by the World Bank. Stevens, A.M. (2001). Email to the author. 13 December. See, for example, AfDB (1999). 'African Development Bank Group Policy on Good Governance'. Internet. Accessed November 2000. Available at <http://www.afdb.org/about/ocod/governance.pdf>; AfDB (1999). 'African Development Bank Policy on Good Governance Adopted by Board of Directors'. Internet. News Release COMU/B/32/99, Abidjan, 22 September; ADB (2000). 'Anticorruption Policy'. Internet. Accessed November 2000. Available at http://www.adb.org/Documents/Policies/Anticorruption/corruption_policy.pdf; IADB has no concrete policy on corruption, but there is still work being done. See, for example, Inter-American Development Bank (2000). 'Conferencia sobre Transparencia y Desarrollo en América Latina y el Caribe'. Internet. Accessed November 2000. Available at <http://www.iadb.org/leg/Transparencia.asp>. There is also IADB's website on the reform of the state, which does not actually mention corruption, available at <http://www.iadb.org/exr/topics/modstate.htm>.

⁶⁴¹ World Bank (2000). *Helping Countries Combat Corruption*, p. 45.

⁶⁴² EBRD chooses to focus primarily on ensuring its own procurement procedures are transparent and maximise its own projects' efficiency. See <http://www.ebrd.org/english/procure/main.htm>.

⁶⁴³ World Bank (2000). *Helping Countries Combat Corruption*, p. 46.

member countries,⁶⁴⁵ while twenty-six of these countries have 'commit[ted] themselves to ensuring that their national parliaments approve the Convention and pass legislation necessary for its ratification and implementation into national law'.⁶⁴⁶ Implementation is monitored by OECD with its findings publicly available.⁶⁴⁷ The Bank has also been an observer at meetings of the Financial Action Task Force on Money Laundering (FATF) since 1997. FATF is 'an inter-governmental body which develops and promotes policies, both nationally and internationally, to combat money laundering. As a "policy making body" therefore, its primary goal is to generate the political will necessary for bringing about national legislature and regulatory reforms in the area'.⁶⁴⁸ Although physically based in the OECD, it is an independent body. Its membership is similar to that of the OECD Convention,⁶⁴⁹ and has several groups that attend its meetings as observers, including other similar regional-based bodies and international organisations.⁶⁵⁰ The Bank worked closely with the Organisation of American States (OAS) on the Inter-American Convention Against Corruption.⁶⁵¹ The Bank is also a member of the International Chamber of Commerce Standing Committee on Extortion and Bribery,⁶⁵² the DAC Experts Group on Monitoring Performance in Good Governance,⁶⁵³ the Council of Europe's Multidisciplinary Group on Corruption,⁶⁵⁴ the UN Office of Drug Control,⁶⁵⁵ and the Interpol International Groups of Experts on Corruption.⁶⁵⁶

The Bank has recently included a new anti-corruption NGO in its list of partners, although it is not yet clear what the nature of this connection will be. The Partnership Fund for Transparency was

⁶⁴⁴ OECD (1997). 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions'. Internet. Accessed December 1998. Available at <http://www.oecd.org/daf/cmis/bribery/20nov1e.htm>.

⁶⁴⁵ Members include the US, Germany, Japan, France, the UK, Italy, Canada, Korea, the Netherlands, Belgium, Luxembourg, Spain, Switzerland, Sweden, Mexico, Australia, Denmark, Austria, Norway, Ireland, Finland, Poland, Portugal, Turkey, Hungary, New Zealand, Czech Republic, Greece and Iceland, while the non-member signatories include Argentina, Brazil, Bulgaria, Chile and the Slovak Republic.

⁶⁴⁶ OECD (2000). 'Welcome to the OECD Anti-Corruption Unit'. Internet. Accessed October 2000. Available at <http://www.oecd.org/daf/nocorruption/index.htm>. The signatories who have not yet committed themselves include France, Italy, the Netherlands, Luxembourg, Ireland, Portugal, New Zealand, Argentina and Chile.

⁶⁴⁷ TI also independently monitors implementation of the Convention, and has produced country reports on several countries. These can be found at <http://www.transparency.de/activities/oecd.html>.

⁶⁴⁸ FATF (2000). 'Welcome to the new FATF website'. Internet. Accessed October 2000. Available at <http://www.oecd.org/fatf/index.htm>.

⁶⁴⁹ Korea, Poland, Hungary and the Czech Republic are not members of FATF, while Argentina, the European Commission, the Gulf Co-operation Council and Hong Kong/China are.

⁶⁵⁰ These include the Asia/Pacific Group on Money Laundering (APG), the Caribbean Financial Action Task Force (CFATF), the Council of Europe PC-R-EV Committee, Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Intergovernmental Task Force against Money Laundering in Africa (ITFMLA), AsDB, the Commonwealth Secretariat, EBRD, IADB, IMF, Interpol, International Organisation of Securities Commissions (IOSCO), Organisation of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD), Offshore Group of Banking Supervisors (OGBS), UN Office for Drug Control and Crime Prevention (UNODCCP), World Customs Organisation (WCO) and the World Bank.

⁶⁵¹ See <http://www.OAS.org/>.

⁶⁵² See http://www.iccwbo.org/home/menu_extortion_bribery.asp.

⁶⁵³ See <http://www.oecd.org/dac/htm/aboutdac.htm>.

⁶⁵⁴ <http://www.coe.fr/corruption/epresent.htm>.

⁶⁵⁵ See <http://www.undcp.org/index.html>.

⁶⁵⁶ See Interpol (1999). 'Supporting the initiatives of the Interpol Group of Experts on Corruption'. General Assembly 68th Session Resolution No. AGN68RES4, Seoul, 8-12 November. Available at <http://www.interpol.int/Public/ICPO/GeneralAssembly/AGN68/Resolutions/AGN68RES4.asp>; Interpol (2000). 'Support further initiatives of the Interpol Group of Experts on Corruption'. General Assembly 69th Session Resolution No. AGN69/RES/5, Rhodes, 30 October-4 November. Available at <http://www.interpol.int/Public/ICPO/GeneralAssembly/>

launched at the 9th IACC in Durban by UNDP, and is a joint initiative between UNDP, who put up the \$100,000 seed money for the project with a further \$1 million from the UN Foundation, and TI.⁶⁵⁷ The Fund is located in Washington DC and is run by Pierre Landell-Mills, who was responsible for introducing anti-corruption work into EDI in the early 1990s. According to a UNDP press release, 'The two main objectives of the Fund are to assist civil society organisations with expertise related to combating corruption; and to provide training to build their capacity, management and advocacy skills'.⁶⁵⁸ Projects approved thus far include the funding of a panel of independent experts to monitor a public auction in Bulgaria and funding the establishment of an interactive website on procurement in Brazil.⁶⁵⁹

The Global Coalition for Africa (GCA) is an intergovernmental forum of African policymakers and international partners working to build consensus on development issues.⁶⁶⁰ GCA's work on corruption has been closely linked to the World Bank since GCA's inception, partly because Robert McNamara is its Co-Chairperson Emeritus and has served on its Board. Although the GCA has been concerned with governance issues since its inception in 1991, its 1997 Policy Forum meeting in Maputo, Mozambique was the first such meeting to be primarily concerned with corruption.⁶⁶¹ Prior to this meeting, McNamara and Jeremy Pope of TI travelled to Africa to meet with the Presidents or Prime Ministers of Malawi, Benin, Tanzania, Uganda, Ethiopia and Mali, who had requested GCA's assistance with anti-corruption work. Before leaving, McNamara discussed the matter with Wolfensohn, who offered his full support to the initiative.⁶⁶² These countries, along with Ghana, became the first countries to request support from the Bank for their anti-corruption programmes.

However, it is debatable the degree to which the first countries 'volunteered'. According to a number of news reports,⁶⁶³ it would appear that McNamara convinced the leaders in these countries to send letters to Wolfensohn requesting anti-corruption assistance. According to GCA, McNamara 'visited a number of African countries to encourage them to strengthen their anti-corruption efforts' and 'suggested that they seek the assistance of the World Bank to help them address corruption'.⁶⁶⁴ However, speaking in press conferences in Tanzania, he warned that the World Bank 'may not release

AGN69/Resolutions/AGN69RES5.asp.

⁶⁵⁷ Interview with Pauline Tamesis, 8 February 2000, New York.

⁶⁵⁸ UNDP (1999). 'UNDP Announces Launch of Partnership Fund for Transparency at Ninth International Anti-Corruption Conference'. Press Release. 13 October.

⁶⁵⁹ UNDP (2001). *PACT Bi-Annual Report to BMZ (August 2000-January 2001)*. New York: UNDP-PACT, p. 18.

⁶⁶⁰ See <http://www.gca-cma.org/about.htm>.

⁶⁶¹ See Global Coalition for Africa (1997). 'Corruption and Development in Africa'. Paper read at the 1997 Policy Forum, Maputo, Mozambique, 1-2 November.

⁶⁶² United States Information Agency (1997). 'Global Coalition on Africa to Help Fight Corruption'. *Africa News Online*. 17 November, p. 2, available at http://www.africanews.org/usafrica/stories/19971117_feat3.html.

⁶⁶³ 'Mkapa can't fight corruption singlehandedly'. *Observer (Tanzania)*. 5 October 1997; 'Mkapa, MacNamara [sic] agree about corruption'. *The Guardian (Tanzania)*. 3 October 1997, pp. 1 & 2; 'Ex-WB chief urges transparency'. *Daily News*. 4 October 1997; Djiwan, H. (1997). 'Kerekou est prêt à lutter contre la corruption'. *Le Citoyen*. 3 September, p. 3; Djiwan, H. (1997). 'La guerre contre la corruption'. *Le Citoyen*. 2 September, p. 3; De Sousa, S. (1997). 'Conférence-lébat de la Coalition mondiale pour l'Afrique (CMA) et Transparency International (TI): Pour consolider la moralisation de la vie publique'. *Echos Nation*. 2 September.

⁶⁶⁴ Marshall, A. (2001). Email to the author, 13 April.

funds' if corruption was not tackled.⁶⁶⁵ Because of the importance the Bank places on its anti-corruption work being 'demand-driven', it is vital that countries are not seen to have been coerced to sign up to the programme.⁶⁶⁶

The Bank's leading partner in civil society continues to be TI, the world's only NGO devoted solely to combating corruption and one which grew out of the Bank. The relationship between the two organisations has always been close, as we have seen with examples throughout this chapter. According to Galtung and Pope,

TI was...interested in convincing the World Bank and the International Monetary Fund...to adopt a more assertive posture against corruption. Brown-bag lunches at the World Bank in Washington D.C., from 1993 onward consistently drew crowds that often extended down the corridors outside. In the field, a partnership was being created between TI and the World Bank's Economic Development Institute...in the form of Petter Langseth...Within EDI, Langseth was able to demonstrate to sceptics in the Bank that it was possible to become engaged in anticorruption work without courting controversy provided the work was implemented with a partner NGO...Several TI national chapters now work actively with the World Bank in the Bank's member countries, and there is a relatively free flow of information between the international financial institutions and TI.⁶⁶⁷

When Wolfensohn committed the Bank to fighting corruption in 1996, TI quickly offered its support for increased partnership. TI is mentioned repeatedly in Bank documents and in interviews with Staff as an example of the Bank's work with civil society on combating corruption, and is often the only example provided. TI works mostly with WBI in the design and delivery of workshops, and joint research and publications, while National Chapters work closely with Bank country staff. For example, TI-Latvia indicates that the World Bank is one of its primary partners, along with the Latvian Ministry of Justice, the OECD and the Council of Europe, among others.⁶⁶⁸ TI-South Africa worked with the World Bank to support the 9th IACC in Durban. TI-Bangladesh and WBI, in partnership with the Parliamentary Centre of Canada, organised a seminar between parliamentarians and civil society groups throughout South Asia, resulting in a draft code of conduct for MPs.⁶⁶⁹

⁶⁶⁵ Mwambando, L. (1997). 'Reform tendering in IRP II - MacNamara [sic]'. *Observer (Tanzania)*. October. See also, Mwakisyalala, J. (1997). 'Donors May Freeze Aid to Tanzania Over Corruption'. *The East African*. 6-12 October, pp. 1 & 2; 'World Bank to set new conditions on aid to Tanzania - MacNamara [sic]'. *Observer (Tanzania)*. October 1997, pp. 1 & 3.

⁶⁶⁶ In a study of the World Bank undertaken immediately after McNamara's retirement, Ayres concluded: 'Instead of countries coming to the Bank with identifiable projects perceived as possible solutions to existing problems, the Bank went to countries with solutions and requested the identification of problems for potential funding'. I would suggest that McNamara's GCA trip can be construed as a continuation of this policy. Ayres, R. (1983). *Banking on the Poor: The World Bank and World Poverty*. London: The MIT Press, p. 215.

⁶⁶⁷ Galtung, F. & Pope, J. (1990). 'The Global Coalition Against Corruption: Evaluating Transparency International'. In Schedler, A., Diamond, L. & Plattner, M. (eds). *The Self-Restraining State: Power and Accountability in New Democracies*. Boulder: Lynne Rienner Publishers, Inc., pp. 266-267.

⁶⁶⁸ See <http://www.delfna.lv/english/index.htm>.

⁶⁶⁹ Transparency International (1999). 'TI Country Activities'. *TI Newsletter*, June, p. 14.

The Bank's anti-corruption strategy is so ambitious and complex that it is impossible to describe in one or two words. It is both highly technical and highly theoretical. It is involved at both the macro- and the micro-levels. It attempts to engage high-level government support while potentially undermining these same governments with its work at the grassroots level. It works extensively with international partners but is incredibly insular in its research base. It involves management, the regions and sectors, basically the entire Bank structure, but has no central authority to ensure there is co-ordination or continuity. It decries politics while conducting work that is overtly political. The complexity of the Bank's programme, combined with its lack of true direction, raises questions of its sustainability over the long-term which the Bank itself admits is needed to judge its success or failure.

It is possible that the newly established Department for Institutional Integrity is a positive step towards ending the organisational and policy incoherence of the Bank's anti-corruption work. It is clear that the programme requires a vice-president to ensure continuity and an official policy to provide parameters. But it needs those parameters to be much tighter in scope than they are currently.

Finch suggests that the Bank will become overstretched as it moves 'out of areas in which supervision is easiest into social policy areas with oversight needs that have overstrained their personnel'.⁶⁷⁰ Recently reported dissent within Bank ranks brings many of these issues to the front of the discourse on the ongoing role of the Bank. A leaked memo from the MNA Region, describes Wolfensohn as 'isolated from reality' and intolerant of dissent, and also blames low morale within the Bank on inadequate resources.⁶⁷¹ The memo is quoted as saying, 'The Bank today has no focus and is driven by an ever growing list of mandates imposed on it through a variety of means...President's favourite subjects [including the CDF with its good governance components]...Board sentiments as discerned from time to time, public pressures, ideas generated by internal constituencies, and even fads. These are all cumulative with nothing ever taken off'.⁶⁷² *The Observer* reports that, 'The cause of dissent within the bank seems to be that it is overstretching itself, delving deep into areas of what is known as social development'.⁶⁷³

As far back, in relative terms, as 1997, Caufield wrote:

⁶⁷⁰ Finch, C.D. (1996). 'G7 Corruption Project'. *The International Economy*. 10(6), p. 26.

⁶⁷¹ Elliott, L. (2001). 'Leak reveals crisis at the World Bank'. *The Guardian*. (London), 31 January; World Bank (2001). 'Soul-searching uncovers hidden malaise at World Bank'. *Development News*. 31 January; Hoyos, C. (2001). 'James Wolfensohn's self-created storm'. *Financial Times*. 30 January.

⁶⁷² Cited in Wilks, A. (2001). 'Overstretched and underloved: World Bank faces strategy decisions'. Bretton Woods Project Briefing Paper, February, p. 3.

⁶⁷³ *The Observer* (2001). 'Internal conflict leaves World Bank policy in disarray'. *The Observer*. (London), 4 February, Business Sec., p. 3.

In recent years, the Bank has adopted – if only superficially – virtually every suggestion its supporters and critics have offered, with one exception. The exception is Ryrie's⁶⁷⁴ advice that the Bank practice "self-restraint". It is now committed – at least on paper – to helping the private sector, women, and the poor; to working with non-governmental organisations and the people directly affected by its projects; to increasing its lending for education, health, nutrition, and micro-enterprises; to protecting or improving the environment; to reducing military expenditures and corruption; to promoting openness in government, the rule of law, and equitable income distribution – and to doing it all "sustainably".⁶⁷⁵

OED's evaluation framework refers to the need for 'prioritisation' with anti-corruption work, but never questions the overall strategy which has the Bank with many fingers in many pies.⁶⁷⁶ According to TI, in order to improve its anti-corruption work, the Bank must '[a]ccept that other organisations, including civil society, have comparative advantages in advocacy work and in rebuilding corrupted institutions; actively share the anti-corruption work with these other organisations in line with their particular experience and expertise'.⁶⁷⁷ One might argue that TI, as the only NGO working exclusively on corruption, has a great deal to benefit from the Bank spinning off its anti-corruption work; however, there is something to be said for the Bank shedding some of its workload in this field to ease pressure being placed on resources, staff and borrowers.

Johannes Linn, the Bank's VP for the ECA Region, recently posed four questions regarding the risk of overload:

- First, by trying to address the roots of poor governance, the Bank may overload the reform agenda and overstretch both its own limited capacities and those of its counterparts.
- Second, even the most committed reformers might shy away from undertaking a huge mass of comprehensive and simultaneous reforms, including fiscal relations, civil service, pensions, education and health, banking sector, regulatory institutions and so on.
- Third, overloading the reform agenda can undermine the credibility of genuinely reform-minded governments. Can they be blamed for the slow progress of institutional development that took decades to achieve in other countries?
- Fourth, can the Bank really transfer the highest standards of knowledge in so many areas, simultaneously in many countries?⁶⁷⁸

⁶⁷⁴ Caufield refers here to Sir William Ryrie, the former head of the IFC. According to Caufield, 'Ryrie...argued that the Bank was institutionally incapable of...using its influence to bring about a reduction in state activity'. Caufield, C. (1997). *Masters of Illusion: The World Bank and the Poverty of Nations*. New York: Henry Holt and Company, p. 279.

⁶⁷⁵ Caufield, C. (1997). *Masters of Illusion*, p. 306. Cited also in Wilks, A. (2001). 'Overstretched and underloved', p. 1.

⁶⁷⁶ Huther, J. & Shah, A. (2000). 'Anti-Corruption Policies and Programs', p. 2.

⁶⁷⁷ Transparency International (2000). 'World Bank needs to strengthen its anti-corruption work'.

⁶⁷⁸ Linn, J. (2001). 'The World Bank's New Approach to Good Governance: Promises and Risks'. *Transition Newsletter*. 12(2), p. 3.

He recommends greater selectivity, more flexibility in defining conditionality and dividing work among bilateral partners based on comparative advantage. The following chapter will look at the anti-corruption work already being done by other major donors and explore the many opportunities for divestiture that the Bank has.

Chapter Five: The Significance of Comparative Advantage in Donor Work on Corruption

In addition to work being done in partnership with the World Bank, several donors are involved in anti-corruption work of their own. Given the scope and aim of this thesis, it is neither possible, nor necessary, to study other donors in the same depth as I have done for the World Bank. Bilateral donors have a negligible number of publications and resources available on their anti-corruption efforts. In this study, I have used semi-structured interviews, either face-to-face or by email, to fill in blank spaces left by gaps in the literature and to determine the structure, location and nature of the agencies' work, as well as the perceived area of comparative advantage. This qualitative approach to interviewing has allowed me to set the direction of the interviews, while allowing for improvisation depending upon interviewee response.⁶⁷⁹ Appendix 17 shows an example of the letter/email sent to all donors studied, with the exception of USAID and UNDP, who were asked these questions in early face-to-face interviews. Appendix 18 shows an example of the questions brought to these semi-structured interviews.

This chapter will, in the first section, provide an overview of major donors' programmes, highlighting the area identified by that organisation as its area of 'comparative advantage'. The second section offers an evaluation of these claims and how they impinge on the future work of the World Bank. Finally, taking into account this evaluation, the third section offers evaluation of the Bank's claims of comparative advantage and offers suggestions for the future direction of its anti-corruption programme.

Comparative Advantage

Comparative advantage is a term that finds its origins in economic theory. Adam Smith⁶⁸⁰ and David Ricardo⁶⁸¹ both wrote about the significance of comparative advantage for international trade. The principle is a simple one: 'If our country can produce some set of goods at lower cost than a foreign country, and if the foreign country can produce some other set of goods at a lower cost than we can produce them, then clearly it would be best for us to trade our relatively cheaper goods for their relatively cheaper goods. In this way both countries may gain from trade'.⁶⁸² Using Ricardo's own example, if England has a comparative advantage in producing cloth and Portugal has a comparative advantage in producing wine, then each should emphasise production based on this advantage and trade with the other for the good in which it has no advantage.⁶⁸³

⁶⁷⁹ See Arksey, H. & Knight, P. (1999). *Interviewing for Social Scientists*. London: Sage Publications Ltd.

⁶⁸⁰ Smith, A. (1933). *Inquiry into the Nature and Causes of the Wealth of Nations*. Orig. 1776. London: Dent.

⁶⁸¹ Ricardo, D. (1922). *Principles of Political Economy and Taxation*. Orig. 1817. London: G. Bells & Sons.

⁶⁸² Suranovic, S. (1999). 'The Theory of Comparative Advantage: An Overview'. Internet. Accessed 19 July 2001. Available at <http://internationalecon.com/v1.0/ch40/40c000.html>.

⁶⁸³ Ricardo, D. (1922). *Principles of Political Economy and Taxation*, pp. 108-130.

The notion continues to reign supreme in orthodox economic circles and is also used in the discourse of many areas - the role of the private and public sectors, universities, NGOs and so on. It is of virtually limitless application.⁶⁸⁴ It is thus natural that the term has found its way comfortably into the discourse of aid. Donors have to justify their existence to sceptical publics by proving that their aid budget is being spent effectively. One way to do this would be for donors to co-ordinate resources based on geographical and/or sectoral lines (e.g., USAID agrees to fund Uganda while DfID funds Ghana, or USAID funds healthcare while DfID funds primary education). However, this is not feasible, in part since recipients of aid do not want to rely on one donor, because of the power that could yield to the donor in terms of conditionality and leverage.⁶⁸⁵ Also, decisions to fund certain countries or certain sectors may not make economic sense for the donor. The decision could be based on strategic interests, prestige of the donor, current fashion, domestic concerns, and so on. Because of this desire to be involved in many areas, donors claim either multiple or very broad areas of comparative advantage, both as an agency and within individual sectors or countries.

Despite the attention given to the notion of comparative advantage by donors, there has been little research done on it. There are many studies on aid effectiveness and the need for donor co-ordination, but only one study, published in 1996 by Michael Dewald and Rolf Weder, is devoted to the concept of comparative advantage. Their paper concludes that comparative advantage would help bilateral aid become more efficient. With scarce resources available for aid and the constant threat in donor countries of further public spending cuts, the authors argue that 'any proposal that either helps to increase the impact of existing foreign aid flows, or to reduce spending while not affecting the intended results for the recipients of aid, should be welcomed'.⁶⁸⁶

⁶⁸⁴ A simple and unscientific internet search using the keywords 'comparative advantage' came up with 382,000 hits.

⁶⁸⁵ Mosley, P. (1987). *Overseas Aid: Its Defence and Reform*. London: Wheatsheaf Books Ltd., pp. 103-105.

⁶⁸⁶ Dewald, M. & Weder, R. (1996). 'Comparative Advantage and Bilateral Foreign Aid Policy'. *World Development*. 24(3), p. 549.

Table 5.1: Patterns of Specialisation Among Individual DAC Countries, 1991-1992 (in percent of total commitments)

Countries	Social & administrative infrastructure	Economic Infrastructure	Agriculture	Industry & other production	Food aid	Program assistance	Other ⁶⁸⁷
Australia	41	9	8	5	4	18	15
France	33	14	8	5	1	15	25
Germany	24	18	6	7	2	4	40
Japan	15	35	11	11	0	16	13
Sweden	26	10	11	7	0	12	33
Switzerland	18	9	13	3	5	6	46
UK	24	30	9	7	2	7	22
USA	15	4	3	3	7	16	53
Total DAC ⁶⁸⁸	21	19	8	7	3	11	31

Source: Dewald, M. & Weder, R. (1996). 'Comparative Advantage and Bilateral Foreign Aid Policy', p. 551.

Using the data found in Table 5.1, the authors highlight Switzerland and the relatively higher percentage it spends on agricultural support compared to other donors. Switzerland itself has a highly protected agricultural sector, which hardly prepares it to offer advice to developing countries on establishing an internationally competitive agricultural sector. This leads the authors to doubt the efficacy of Swiss spending on agricultural projects. Instead, they find that the Swiss are renowned for their banking industry.⁶⁸⁹ Because a country's financial sector is vital to the health of its economy and necessary for economic development,⁶⁹⁰ the authors argue that its real comparative advantage lies in assisting recipients' financial sectors, and leaving agricultural projects to other donors.⁶⁹¹

Donors often develop what has been called 'flavour-of-the-month' syndrome⁶⁹² or 'aid fashion: a type of "herd behaviour"...as the swings of intellectual analysis bring one or another type of investment to the fore as desirable'.⁶⁹³ For a number of reasons – the needs of the home market, media pressure, academic findings, political events, and so on – donors often want to fund the same things, both at the country and the sectoral level, at the same time. Recent examples include small-scale credit, support for NGOs, and of course, democratisation efforts and anti-corruption work. This can lead to the problem of 'over-funding', which can 'encourage corruption in part by providing more aid than

⁶⁸⁷ Consists of multisector ODA, debt relief, emergency assistance, support to private voluntary agencies and administrative costs of donors.

⁶⁸⁸ Included are all DAC members.

⁶⁸⁹ Dewald and Weder highlight the Swiss banking system in the context of its overall aid programme and without anti-corruption work in mind. Clearly, this would not be where the Swiss have a comparative advantage in anti-corruption work because of the lack of transparency in its banking system.

⁶⁹⁰ See World Bank (1989). *World Development Report 1989: Financial Systems and Development*. Oxford: Oxford University Press.

⁶⁹¹ Dewald, M. & Weder, R. (1996). 'Comparative Advantage and Bilateral Foreign Aid Policy', pp. 553-555.

⁶⁹² Cooksey, B. (1999). 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?'. Paper given at the 9th International Anti-Corruption Conference (IACC), Durban, South Africa, 10-15 October, p. 8. Former Bank President Lewis Preston admitted to this in the late 1980s. Cited in Williams, D. & Young, T. (1994). 'Governance, the World Bank and Liberal Theory'. *Political Studies*. 42(1), p. 88.

⁶⁹³ Cassen, R. (1994). *Does Aid Work?* (2nd ed). Oxford: Clarendon Press, p. 177.

governments can effectively absorb',⁶⁹⁴ while also encouraging recipients to play donors off against each other to receive the maximum financing and evade or minimise conditionalities.

Dewald and Weder note that their research found that 'there were at least six and at most 12 donor countries engaged in each recipient country, in 1992. With respect to an individual sector, there were between two and six donor countries active in each of the nine listed aid sectors of an individual recipient country. Thus, both observations indicate that there exists a diversified relationship between recipient and donor countries with highly overlapping aid flows'.⁶⁹⁵ Mosley refers to an often-cited example in Upper Volta (now Burkino Faso), where 350 separate aid missions arrived in 1983, each lasting an average of two to three weeks and often requiring the assistance of over thirty of the administration's top staff. This led to a significant breakdown in government functioning.⁶⁹⁶ He calls this 'administrative overload' caused by multi-donor competition for projects in recipient countries.⁶⁹⁷

Cassen refers to "project proliferation": aid projects are planted here and there in an almost haphazard way and in excessive numbers, with a variety of untoward consequences'.⁶⁹⁸ Indeed, 'In several countries the donors not only fail to co-ordinate, but actually compete. They are all looking for projects of a reasonable size and manageability, and go sometimes to unseemly lengths to secure them for their own aid programme rather than let them go to another agency. The aid projects themselves then compete for scarce resources in the recipient country'.⁶⁹⁹ Linn argues that '...it is important that each institution focus on its comparative strength. If each institution tries to tackle the same problems undermining good governance, the risks of overloading the agenda and overstretching capacities increases substantially'.⁷⁰⁰

NORAD recognises the possibility of this occurring in anti-corruption work, arguing that donors could begin 'over-bidding each other in their eagerness to support the "good cause"'.⁷⁰¹ It recommends cost-sharing and appointing a 'lead donor' as possible measures to avoid this. The World Bank would make an obvious choice as a lead donor in anti-corruption work, but its non-political mandate proves problematic. For all donors except the Bank, anti-corruption work fits into an overall programme of democratisation. As we have seen, the Bank admits the need for democratisation work,

⁶⁹⁴ Cooksey, B. (1999). 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', p. 8. This builds on the economic notion of capital absorptive capacity, which is '...a more or less absolute limit to the amount of capital, foreign or domestic, that can be productively employed in the sense of yielding some net return over and above depreciation and obsolescence'. Mikesell, R. (1968). *The Economics of Foreign Aid*. London: Weidenfeld & Nicholson, p. 100. In other words, a donor can throw only so much money at a problem before the recipient will become unable to use the funding productively because of a lack of capacity. According to Mikesell, this can result from, among other things, a lack of good government (p. 101).

⁶⁹⁵ Dewald, M. & Weder, R. (1996). 'Comparative Advantage and Bilateral Foreign Aid Policy', 551.

⁶⁹⁶ Mosley, P. (1987). *Overseas Aid*, pp. 100-101.

⁶⁹⁷ Mosley, P. (1987). *Overseas Aid*, pp. 100-105.

⁶⁹⁸ Cassen, R. (1994). *Does Aid Work?*, p. 175.

⁶⁹⁹ Cassen, R. (1994). *Does Aid Work?*, p. 177.

⁷⁰⁰ Linn, J. (2001). 'The World Bank's New Approach to Good Governance: Promises and Risks'. *Transition Newsletter*. 12(2), p. 3.

⁷⁰¹ NORAD (2001). *Annual Report 2001*. Oslo: NORAD, p. 23.

in the form of support for elections and political parties, to effectively combat corruption, but it is not currently able to conduct this work itself. There is an obvious opening for work to be done by the other donors. Because of this, some donors claim to have a comparative advantage in the political side of anti-corruption work because of their ability to work unhindered in the political sphere.

This is not really an example of comparative advantage. If it was, then other donors would focus the bulk of their anti-corruption work around election monitoring, assisting political parties and other explicitly political work and would leave the rest for the World Bank. Instead, other donors do very similar work to that already being done by the Bank, but on a smaller scale. There is thus a great danger of 'over-funding' and unnecessary and unproductive duplication.

The Need to 'Spin-Off' Parts of the World Bank's Anti-Corruption Programme

Because of the complexity of structural adjustment, and also because of its controversy, aid co-ordination has become an important priority for donors. In order to facilitate this co-ordination, donors formed a number of country Consultative Groups (CGs), used to try to co-ordinate foreign aid programmes within individual countries, with the World Bank taking a leading role through its position as chair. At CG meetings, issues arise that clearly violate the Bank's political mandate, but the Bank claims that it is merely advising the borrower of bilateral donor concerns.⁷⁰² Table 5.2 shows governance-related items discussed at forty-five CG meetings from October 1990 to January 1993.

Table 5.2: Governance Content of Consultative Group Meetings, 10/90-1/93

<i>Topic</i>	<i>Number of countries where this was discussed</i>
Military expenditure	12
Transparency	13
Human rights & democratisation	18
Accountability	21
Legal framework for development	22
Public sector management	28

Source: World Bank (1994). *Governance: The World Bank's Experience*. Washington DC: World Bank, p. 43.

Critics claim that the CG meetings provide the Bank with a 'smokescreen' for its own political agenda, because it can often hide behind the bilateral donors. Gibbon exclaims, 'In other words, although it can have nothing to do with political conditionality, or its co-ordination, the World Bank will nonetheless chair Consultative Group meetings where it is discussed, tell recipients what decisions about it have been reached and link the continuation of its own aid to donors' political concerns!'.⁷⁰³ A recent high profile example of this is that of Kenya. After the CG meeting in 1991, the World Bank joined a group of aid donors in suspending aid to Kenya. While bilateral donors called out for Kenya to introduce multiparty elections, the World Bank explained that its suspension of funds was related only

⁷⁰² World Bank (1994). *Governance*, p. 41.

⁷⁰³ Gibbon, P. (1993). 'The World Bank and the New Politics of Aid'. In Sørensen, G. (ed). *Political Conditionality*. London: Frank Cass, p. 55.

in that 'the Bank's assistance would not be able to fill the resulting financial gaps'.⁷⁰⁴ Similar arguments were made when lending to Nigeria was suspended following the execution of activist Ken Saro-Wiwa,⁷⁰⁵ and when the Bank cancelled loans following the overthrow of the emperor in Ethiopia.⁷⁰⁶ The Bank also suspended lending to Benin in 1989, calling for popular consent for reform and suggesting the use of national conferences as a tool for ensuring this popular participation.⁷⁰⁷

However, one outcome of CGs has been a discernible subordination of the bilateral donors to the multilaterals, at both dialogue and policy level. According to Gibbon,

Bilaterals were disadvantaged from forming independent judgements on the issues being discussed, since the great majority of them had no independent sources of economic information or means of interpreting them. Nor was there any international forum where proposals could be made for revising IMF or World Bank recommendations, even if the will existed to do so. The new regime thus involved a decisive (if willing) subordination of the bilaterals [to the multilaterals], especially evident in the so-called "like-minded countries" - the Scandinavians, Canada and Holland.⁷⁰⁸

This control over resources and modes of output has impacted the bilaterals ability to direct the discourse on good governance and on corruption.

As Uvin points out, 'Interestingly, the bilateral donors at present often refer to the World Bank's statements on good governance, but this is probably more a case of hiding in the skirts of an international institution than a demonstration of the impact, or quality, of the Bank's ideas'.⁷⁰⁹ It is the

⁷⁰⁴ Fillip, B. (1997). 'The World Bank and Governance: A Process Approach to Policy Analysis', unpublished PhD Thesis, University of Pittsburgh, p. 100; also, Riley, S. (1992). 'Corruption and the Swollen African State: Economic Liberalisation & the New Political Conditionality', Paper given at the 5th International Anti-Corruption Conference (IACC), Amsterdam. Early claims of a donor victory when Kenya announced multiparty elections have been replaced now with cynicism. According to the *Economist*, 'Over the past few years Kenya has performed a curious mating ritual with its aid donors. The steps are: one, Kenya wins its yearly pledges of foreign aid. Two, the government begins to misbehave, backtracking on economic reform and behaving in an authoritarian manner. Three, a new meeting of donor countries looms with exasperated foreign governments preparing their sharp rebukes. Four, Kenya pulls a placatory rabbit out of the hat. Five, the donors are mollified and the aid is pledged. The whole dance then starts again.' (1995). 'Aid for Kenya: Stop, go', *The Economist* 336(7928), 19 August, p. 51.

⁷⁰⁵ See Goshko, J. (1995). 'US Censures Nigeria's Execution of Nine Activists'. *The Washington Post* 11 September.

⁷⁰⁶ Ayres, R. (1983). *Banking on the Poor*, pp. 71-72. The Bank did argue as early as 1954 that it 'cannot ignore conditions of political instability or uncertainty which may directly affect the economic and financial prospects of the borrower'. World Bank (1954). *The International Bank for Reconstruction and Development, 1946-1953*. Baltimore: John Hopkins Press, p. 61.

⁷⁰⁷ Fillip, B. (1997). 'The World Bank and Governance', p. 275. For a look at Benin's subsequent national conferences and the impact on corruption, written by a former Bank staff member, see Heilbrunn, J. (1999). 'Corruption, Democracy, and Reform in Benin'. In Schedler, A., Diamond, L. & Plattner, M. (eds). *The Self-Restraining State: Power and Accountability in New Democracies*. Boulder: Lynne Rienner Publishers, Inc., pp. 227-243.

⁷⁰⁸ Gibbon, P. (1993). 'The World Bank and the New Politics of Aid', p. 39.

⁷⁰⁹ Uvin, P. (1993). "'Do as I Say, Not as I Do": The Limits of Political Conditionality'. In Sørensen, G. (ed). *Political Conditionality*. London: Frank Cass, p. 67.

same with corruption. All donors use the Bank's limited and non-political definition of corruption - 'the abuse of public office for private gain'⁷¹⁰ - without expanding upon it or adapting it to their own needs. Bilaterals often refer to research conducted by the Bank on corruption, rarely adding to it themselves or referring to work produced by others. The political dimension of corruption, as the Bank calls it, is not incorporated into the definition by donors but is added on as an afterthought, despite this being the area where some see their niche as agencies.⁷¹¹

Baylies contends that, '[The World Bank's] stance in advocating good government, and indeed contributing to the theorising of a new orthodoxy, while officially distancing itself from some elements of practice, has contributed to an ambiguous (even if officially delineated) division of labour with respect to the new aid regime.'⁷¹² Although the Bank and other donors pay lip service to the idea of comparative advantage, there is often little difference in the work being done on the ground. This has led to an overload in donor activity without any clear delineation of duties or expertise and an inaccurate blurring of the line between economic and political issues. If we look at Table 5.3, which shows the areas that the Bank has specified are its own areas of comparative advantage, we can find areas also specified by other donors (e.g., financial management, institution building) as well as work being conducted by other donors in addition to the work being done by the Bank. All of this is being done in an *ad hoc* manner with little to no co-ordination.

⁷¹⁰ World Bank (1997). *Helping Countries Combat Corruption: The Role of the World Bank*. Washington DC: World Bank, p. 8.

⁷¹¹ The Dutch define corruption as 'using public goods or a public position for personal interests...covering bribery, misappropriation, fraud, extortion, smuggling, and cronyism.' See <http://www.minbuza.nl>. UNDP defines it as 'the misuse of public power, office or authority for private benefit', and, two paragraphs down, 'Political systems are also characterised by high and low levels of corruption'. UNDP (1999). *Fighting Corruption to Improve Governance*. New York: UNDP, p. 7. NORAD points out the Bank's definition and then elaborates: 'corruption is any transaction between private and public sector actors through which collective goods are illegitimately converted into private payoff'. It claims that this emphasises the 'state-society relation' in a more precise way than the Bank does, but it is really little more than an elaboration of the Bank's definition. NORAD (2000). *NORAD's Good Governance & Anti-Corruption Action Plan 2000-2001*. Oslo: NORAD, p. 7.

⁷¹² Baylies, C. (1995). "Political Conditionality" and Democratisation'. *Review of African Political Economy*. 65, p. 326.

Table 5.3: The World Bank's Perceived Areas of Comparative Advantage in Combating Corruption

Areas of Comparative Advantage	Areas of Expertise (sharing advantage with others)	Areas Not Expecting Comparative Advantage
<ul style="list-style-type: none"> (a) public economics (economic analysis of the role and functioning of the public sector) (b) decentralisation and inter-governmental fiscal relations (c) core system-wide administration and civil service reform (d) public expenditure analysis and management (including financial management and procurement) (e) sectoral institution-building, particularly in social sectors and infrastructure (including regulation of private sector delivery) 	<ul style="list-style-type: none"> (a) revenue policy and administration (b) legal and judicial reform (c) other accountability institutions (such as ombudsmen and parliamentary oversight bodies) 	<ul style="list-style-type: none"> (a) police reform (b) criminal justice systems (including prosecutorial and prison reform) (c) general parliamentary processes (d) political governance (including election processes or the structure and financing of political parties)

Source: World Bank (2000). *Reforming Public Institutions & Strengthening Governance: A World Bank Strategy*. Washington DC: World Bank, p. 62.

Table 5.4 shows areas claimed by some bilateral donors as their comparative advantage. Most, but not all, bilateral donors believe that comparative advantage is significant in the fight against corruption. There may be a link between the priority given to anti-corruption work by the donor and inclusion of the principle of comparative advantage in its literature or correspondence.

Table 5.4: Other Donors' Perceived Areas of Comparative Advantage in Combating Corruption

Donor	Area of Comparative Advantage
UNDP	The political side of anti-corruption work
USAID	Civil society
DfID	The political side of anti-corruption work
DIDC-Finland ⁷¹³	Example of best practice in the public sector
NORAD – Norway	Unique expertise and network of 'resource-persons'
SDC - Switzerland	No stated comparative advantage

Donors even publicly debate the effectiveness of their own work in the fight against corruption. Although NORAD Director General Tove Strand exclaimed, '...we have to make the fight against corruption a central element in all our assistance',⁷¹⁴ Mette Masst, the head of anti-corruption work at the agency, observed, '...I have no illusions that our work has led to a significant decline in

⁷¹³ Unlike other donors, DIDC believes that 'it is difficult to say where "exactly" is the comparative advantage of a bilateral development agency'. Ruohomäki, O. (2001). Email to the author. 3 September.

⁷¹⁴ NORAD (2000). *NORAD's Good Governance and Anti-Corruption Action Plan 2000-2001*. Oslo: NORAD, p.

corruption'.⁷¹⁵ Even the World Bank insists, 'In the area of anti-corruption, for example, Bank interventions are unlikely ever to eliminate corruption, and even making a significant dent in the problem may be difficult in certain countries no matter how well the Bank performs'.⁷¹⁶ In neither case does this follow through to the next logical step in the debate: why are these agencies doing this work in the first place if it is unlikely to prove effective in bringing about the desired change? Although one can argue for the need to measure the impact of doing something rather than nothing, there also needs an acceptance that in some countries anti-corruption work might be ineffective at best and destabilising at worst. Conducting such work with little chance for positive impact seems to be little more than social experimentation while adding to a recipient's external debt.

The World Bank's involvement in anti-corruption work does violate its important non-political mandate in part and also stretches its capacity as an organisation. Therefore, although there is a place for certain aspects of the Bank's work, especially in preventing corruption within its own projects, other parts of its strategy are of dubious value and could be spun off to other donors if this sort of work is to be done. One solution would be to parcel off the sections in which another donor feels it has a comparative advantage. However, donors have a fundamentally flawed notion of their own advantages as agencies and these need to be questioned before recommendations can be made. Additionally, it is unclear firstly, if any other donors have the capacity to pick up such complex work, even in part, and secondly, if some donors have any place in anti-corruption work at all. One assumption can be made from the start: we can assume that the donors studied do want a role in this work and would be loathe to withdraw support, even if there is no evidence that their support will be effective. This work has become too high profile and everyone seems to want to be in on it.

Other Donors' Anti-Corruption Programmes⁷¹⁷

United Nations Development Programme (UNDP)

Anti-corruption work at UNDP is located within the Programme for Accountability and Transparency (PACT), which is located within the Institutional Development Group (IDG) which is in

3.

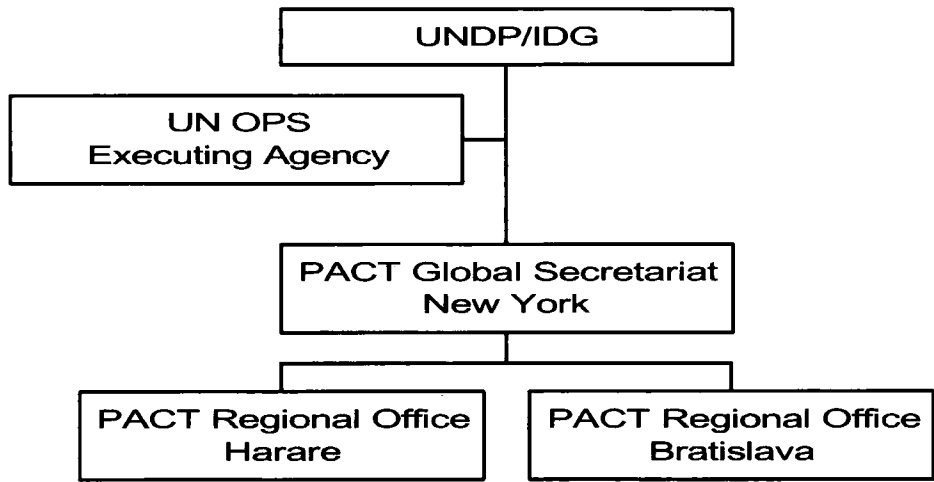
⁷¹⁵ NORAD (2001). *Annual Report 2001*, p. 18.

⁷¹⁶ Because of this, the Bank warns that evaluation of the programme could prove difficult if current standards are adhered to. Instead, 'Defining a standard for success is particularly tricky in such a situation. Rather than aim for the same percentage and standard of success in all types of projects the Bank undertakes, success should be measured in part against the difficulty of the challenges addressed, and if possible against what would have been in place without the intervention'. World Bank (2000). *Reforming Public Institutions & Strengthening Governance*, p. 19.

⁷¹⁷ Although Japan is the largest overall bilateral donor in terms of funding levels, I have not included it in this study. This is because its work on corruption is negligible, except in ensuring that its own projects are as corruption-free as possible. This includes stringent procurement and bidding policies, hiring all consultants through competition and disclosure of all contract information. This last item is unique among donors. The only example of clear anti-corruption work I was able to uncover is the funding of trainees from developing country governments to a training course on Corruption Control in Criminal Justice held in Japan. Yamamoto, A. (2001). Email to the author. 11 December.

the Bureau for Development Policy (BDP). The organisational chart for PACT is illustrated in Figure 5.1.

Figure 5.1: PACT Organisational Chart⁷¹⁸



Since its establishment in 1995, funding for PACT has come originally from two main sources - the Danes and the Dutch. Originally called the Aid Accountability Initiative, PACT was located in the UN Department of Economic and Social Affairs. Its original mandate focused on aid accountability and co-ordination in Sub-Saharan Africa and the Baltic Region. In 1996, the programme moved to UNDP, and it was renamed PACT while the focus changed to financial accountability and transparency. Along with this mandate change came a change from a regional focus to a global focus, with the two original regional bureaux falling under the global bureau.

DANIDA published an evaluation of PACT in 1999. The evaluation is not very positive about PACT's activities, especially regarding anti-corruption activities. It acknowledges that a return to aid accountability is not really viable, and that 'PACT has built up a comparative advantage in addressing comprehensive public expenditure accountability issues'.⁷¹⁹ However, PACT has only two years experience in anti-corruption activities. Despite generating considerable media attention, the evaluation feels that 'PACT's comparative advantage in this field is close to non-existent'.⁷²⁰ Keeping in mind the limited financing available, it recommends that anti-corruption be spun off into a separate programme for anti-corruption work alone.

The Danes were not happy about this change from aid accountability and donor co-ordination to financial accountability and anti-corruption work, as well as the move from a regional to global focus. They were particularly unhappy about the work being done in Eastern Europe, which is not part

⁷¹⁸ DANIDA (1999). *Evaluation Report: The UNDP Programme for Accountability and Transparency (PACT)*, Copenhagen: Ministry of Foreign Affairs, p. 27.
⁷¹⁹ DANIDA (1999). *Evaluation Report*, p. 70.
⁷²⁰ DANIDA (1999). *Evaluation Report*, p. 70.

of its own mandate. They stopped funding PACT in 2000, although the Dutch continue to provide some funding, including the secondment of a Dutch national, Fred Schenkelaars, as special advisor and some seed money for publications.

Under DANIDA, PACT's budget stood at \$1 million per year, with approximately \$100,000 spent on anti-corruption and the remaining bulk spent on financial accountability projects.⁷²¹ PACT activities and finances had been impacted by the Danes pulling out of financing commitments in the short-term. However, it successfully negotiated a new funding contract with the German development agency, Bundesministerium fuer Wirtschaftliche Zusammenarbeit und Entwicklung (BMZ), signed on 27 June 2000.⁷²² BMZ set up a trust fund of \$1.25 million for projects to be conducted in a one-year period, although PACT has requested a six-month extension on this deadline. This is primarily for capacity building in BMZ's priority countries - Bangladesh, East Timor, Mozambique and Nigeria, along with some Eastern European and CIS countries. It also provides funding for other non-country activities, such as seed money for the Partnership Fund for Transparency.

UNDP is the only multilateral donor with a clear policy statement on corruption. It is published under the title, *Fighting Corruption to Improve Governance*, and is summarised below:

UNDP is unwaveringly committed to the war against corruption. Minimising corruption is critical if its mission to alleviate poverty and achieve social and people-centred development is to succeed. A multilateral development agency, UNDP support is not conditional. It does, however, have a mandate to create an enabling environment for sustainable human development. Since corruption clearly works against such an environment, UNDP does support projects that address the fundamental elements of the problem.

UNDP sees corruption as a problem of poor governance. Good governance is participatory, transparent and accountable - its social, political and economic priorities are reached by consensus and the poorest and most vulnerable have their say in matters affecting their well being and in the allocation of development resources. Bad governance, rife with bribery, corruption and maladministration, has the opposite effect.⁷²³

Projects focus on institutional development and reform, public and private sector management, decentralisation, transparency and accountability, the media and independent watchdogs and building partnerships.⁷²⁴ The report highlights six proposed areas of intervention: 'partnership building and policy dialogue, capacity building, tailoring country interventions, dividing

⁷²¹ See the DANIDA evaluation for further budget details.

⁷²² UNDP (2001). *PACT Bi-annual Report to BMZ (August 2000-January 2001)*. New York: PACT.

⁷²³ UNDP (1999). *Fighting Corruption to Improve Governance*, p. 3.

⁷²⁴ UNDP (1999). *Fighting Corruption to Improve Governance*, p. 4.

responsibilities among the relevant stakeholders within UNDP, creating a focal point within the UNDP through [PACT] and describing the internal mechanisms within the organisation to prevent and control corruption in UNDP's organisations'.⁷²⁵ Specifically, PACT 'will take the lead in developing policies, tools and methodologies; researching issues of priority to UNDP; and documenting good practices based on country experiences'.⁷²⁶

Box 5.1: Examples of projects funded or assisted by PACT⁷²⁷

- Production of two major reports, 'Corruption and Good Governance Discussion Paper' and the joint UNDP/OECD report on 'Corruption and Integrity Improvement Initiatives in Developing Countries'
- A learning module on corruption issues in the Asia Pacific region
- UNDP (Europe)/CIS/UN Department of Economic and Social Affairs sponsored conference on 'Public Service in Transition: Enhancing Its Role, Professionalism, Ethical Standards and Values', held in Thessaloniki, Greece
- UNDP (Romania)/UN Centre for International Crime Prevention (CICP) project, administered by the Ministry of Justice to deal with corruption and crime
- UNDP (Philippines)/Centre for Investigative Journalism project to strengthen the capacity of investigative journalism
- The Anti-Corruption Promotion Group in Georgia, a three-year temporary NGO
- Technical assistance for Mongolia's Capacity Building for Governing Institutions Project
- UNDP (Brazil)/Council of State Reform/Ministry of Federal Administration and State Reform/UN Department of Economic and Social Affairs sponsored colloquium on 'Promoting Ethics in the Public Service'
- Organising five regional workshops at the 9th IACC in Durban

One major project, originally initiated by PACT, has been the production of the Country Assessment in Accountability and Transparency (CONTACT) manual, which the DANIDA evaluation states 'is being recognised by outsiders as being a first in providing an instrument for comprehensive assessment of public expenditure accountability. Systematic use of this tool at country level and follow up in the form of technical assistance programming, planning and resource mobilisation holds the potential to achieve significant impact at country level in selected countries'.⁷²⁸ A draft was completed in 1998, although it has not yet been finalised. This is a joint project with the World Bank, who wrote a majority of the chapters, along with some input by USAID and the Canadian International Development Agency (CIDA), while PACT wrote the chapter on anti-corruption. PACT has recently finished reviewing the final manuscript, and it is due for publication by September 2001.⁷²⁹

⁷²⁵ UNDP (1999). *Fighting Corruption to Improve Governance*, p. 5; also pp. 19-23.

⁷²⁶ UNDP (1999). *Fighting Corruption to Improve Governance*, p. 21.

⁷²⁷ UNDP (1999). *Fighting Corruption to Improve Governance*, pp. 31-36.

⁷²⁸ DANIDA (1999). *Evaluation Report*, p. 4.

⁷²⁹ Tamesis, P. (2001). Email to the author. 19 June.

PACT has also been working on a joint project with OECD: country case studies with Benin, Morocco, Pakistan, Philippines and Bolivia. PACT is trying to analyse success from anti-corruption initiatives in those countries, although it is not clear what criteria it is using for evaluation. These case studies have been put on hold, however, presumably due to lack of resources. Another initiative is the Partnership Fund for Transparency, set up 'to assist civil society needs by providing short-term technical assistance to develop programmes to fight corruption'.⁷³⁰ PACT is also working closely with WBI as collaborators on the follow up to the Anti-Corruption Core Course in Africa. However, according to PACT, 'only Tanzania and Ghana seemed to have progressed further since both already had projects in place focusing on anti-corruption. It was harder to get collaboration going when we had to start from scratch.'⁷³¹

PACT also hosted events to try to co-ordinate action with other donors: the Maastricht Working Group Conference in April 2000; Global Forum II, also held in the Netherlands in May 2001; and the 10th Crime Congress in Vienna, in April 2000. When the German money arrived, PACT planned on turning its attention to the role the UN can play in the international repatriation of funds by corrupt dictators and leaders. However, the lead on money laundering within the UN has been taken by the UN Center for International Crime Prevention (UNCICP) which PACT claims has more resources and a clearer mandate to work on this issue.⁷³²

UNDP see anti-corruption work not as an afterthought, as the DANIDA evaluation seems to imply, but rather as 'a part of the evolution of our mandate'.⁷³³ It feels that its comparative advantage lies not in financial accountability work, as the evaluation states, but rather with anti-corruption work and all its political components. 'The political decision came from higher levels where they said if you have to make a choice to drop one [financial accountability or anti-corruption] because of financial constraints, it would be financial accountability, regardless of the results of the evaluation, because of that long institutional expertise in the political sphere'.⁷³⁴ Budget figures may belie this strong commitment to anti-corruption; however, this may reflect the interests of bilateral donors, like Germany, who are funding the programme, rather than those of UNDP.

United States Agency for International Development (USAID)
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Anti-corruption at USAID is located within the Center for Democracy and Governance (CDG), established in 1994. The primary bureaus in USAID are the four regional bureaus: the Europe and Eurasia Bureau, the Latin America and Caribbean Bureau, the Asia and Near East Bureau and the Africa Bureau. All bureaus have equal standing, which is very important to AID's decentralised

⁷³⁰ Interview with Pauline Tamesis, 8 February 2000, New York. See Chapter Four for more detail.

⁷³¹ Tamesis, P. (2001). Email to the author. 19 June.

⁷³² Tamesis, P. (2001). Email to the author. 19 June.

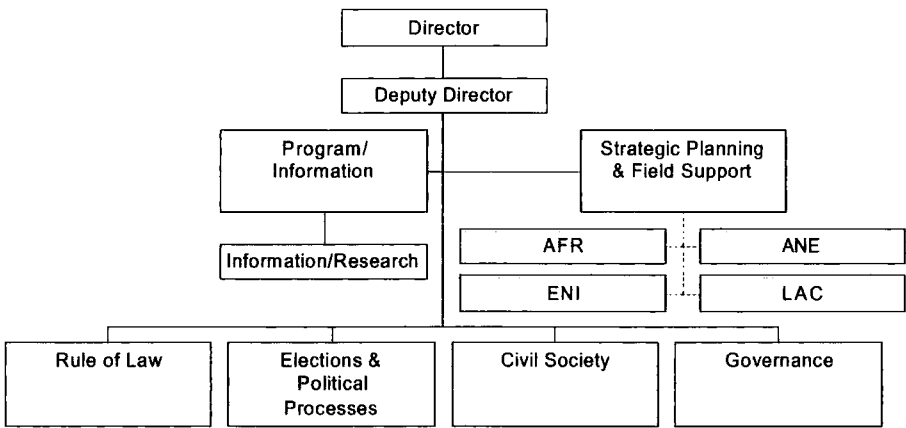
⁷³³ Interview with Pauline Tamesis, 8 February 2000, New York.

⁷³⁴ Interview with Pauline Tamesis, 8 February 2000, New York.

strategy. Because of this, the CDG ‘act[s] as a center for technical leadership on technical issues [pertaining to anti-corruption] that cut across regions. We cannot direct the regional bureaus, but we can act as a point for advice for both bureaus and for missions in the field’.⁷³⁵

An organisational chart for CDG is available in its ‘User’s Guide’, and is replicated in Figure 5.2:

Figure 5.2: USAID-CDG Organisational Chart⁷³⁶



USAID operates in very decentralised way, with great autonomy given to the regional bureaus. With each bureau employing staff to deal with anti-corruption issues, it is very difficult to share lessons learned. In this area, the work done by CDG is vital for at least trying to have a consistent agency approach. However, because power is so decentralised, this is not how it works in reality. CDG act merely as consultants on projects, with varying degrees of success as to how often advice is taken into consideration when mission strategies are being designed. Although hardly ideal, it does at least seem in keeping with USAID’s strong emphasis on regional autonomy. Projects are managed out of individual missions, so CDG’s budget covers only its own research and costs.

The agency’s mission statement asserts that, ‘USAID has taken a leading role in promoting and consolidating democracy world-wide...A key determinant for successful democratic consolidation is the ability of democratically-elected governments to provide “good governance”’.⁷³⁷ Governance is one of four objectives in order to promote and consolidate democracy, including also the rule of law, elections and civil society. Anti-corruption work falls into the ‘governance’ objective. However, this approach is not meant to be ‘reductive’, reducing an inherently complex process into overly simplistic terms; for example, ‘the Center’s anti-corruption programming aims to improve governance in part by mobilising citizen action from civil society organisations’.⁷³⁸ Anti-corruption work (sometimes referred to as ‘governmental integrity’ work) is done in conjunction with work on democratic decentralisation,

⁷³⁵ Interview with M. Eric Kite, 27 January 2000, Washington DC.
⁷³⁶ USAID (1999). *Center for Democracy and Governance: User’s Guide*. Washington DC: CDG, p. 4.
⁷³⁷ See the Center’s website at <http://www.info.usaid.gov/democracy/>.
⁷³⁸ USAID (1999). *Center Report on Assistance for Democracy Development*. Washington DC: CDG, p. 3.

legislative strengthening, civil-military relations and effective policy implementation, in order to strengthen governance. Improved governance then strengthens democracy, the CDG's ultimate goal.

Fighting corruption is not CDG's top priority; instead, it believes that its existing work on democratisation will reduce corruption. It does do some explicit anti-corruption work, but this represents only a small part of CDG's portfolio. USAID's first explicit anti-corruption programme came as early as 1989 with its Regional Financial Management Improvement (RFMI) Project in Latin America. Important initiatives under RFMI include computerisation of public records to eliminate 'ghost' employees and a website to engage civil society in anti-corruption work. The project has been on-going since, but was renamed 'The America's Accountability and Anti-Corruption Project' in 1992 to bring explicit attention to the anti-corruption side.⁷³⁹

USAID has no formal policy on corruption, but puts forward the Handbook as representative of its strategy instead. The Handbook is used by the Bureaus to develop their own anti-corruption programmes, if they believe it is important or possible. The Handbook is also used as a framework for analysis and overview by both internal auditors and outside contracted firms.

USAID'S strategy is a two-track approach: institutional reforms and civil society reforms, together or one at a time, depending on level of political will.⁷⁴⁰ Put another way, 'USAID has developed a two-track response to the problem of corruption: (1) change the environment in which the public and private sectors interact and (2) mobilise public support for change'.⁷⁴¹ Part one of this strategy includes the following:

- Supporting legal and regulatory reform to reduce government's involvement in areas better handled by the private sector.
- Streamlining government procedures to reduce the opportunities for corruption.
- Improving accountability mechanisms.
- Introducing incentives that will encourage officials to act in the public interest.⁷⁴²

⁷³⁹ USAID (1999). *Promoting Transparency and Accountability: USAID's Anti-Corruption Experience*, Washington DC: Center for Democracy and Governance, p. 4.

⁷⁴⁰ USAID documentation stresses the importance of political will. An example is given by a CDG staff member of the need for political will: in one country USAID put in a computer system to track customs operations only to have a high-level government official order that employees leave the computers turned off. Dininio, P. (1999). 'Defining Anti-Corruption for USAID'. *Democracy Dialogue*. June. Washington DC: Center for Democracy and Governance, p. 3. However, it finds that political will is easier to generate in democracies. Indeed, 'Past experience has taught us that ownership of economic policy reform is greater among governments that are democratic, open and transparent'. See Atwood, J.B. (1998). 'Remarks at the Congressional Forum on Africa'. Washington DC, 11 March. There is a training module CDG conducts for democracy officers in the field on how to get political will, which emphasises that it is 'an art not a science'. USAID has learned two lessons when it comes to political will: (1) do not make anti-corruption initiatives contingent upon a 'champion', and (2) even if political will is perceived to exist, always involve civil society in order to truly sustain reforms. Interview with M. Eric Kite, 27 January 2000, Washington DC.

⁷⁴¹ USAID (1999). *Promoting Transparency and Accountability*, p. 5.

⁷⁴² USAID (1999). *Promoting Transparency and Accountability*, pp. 5-6.

Part two includes working with advocacy organisations, public-private enterprises (including NGOs) and the media.⁷⁴³ This approach seems to fit in well with US foreign policy, with its emphasis on encouraging the private sector, past USAID experience in accountability funding and its strong network of civil society organisations. This focus on civil society is very important to USAID. According to Kite, 'donors have a propensity to fund the sorts of things that they're comfortable with in their own domestic context, and we happen to have so many interest groups in the United States, with the way our government works...that that's what we're comfortable with doing in the field.'⁷⁴⁴ It is this long-standing work on civil society that USAID claims is its comparative advantage in work on corruption.

Box 5.2: Examples of projects funded or assisted by USAID⁷⁴⁵

- Ethics legislation in South Africa for standards of conduct and asset reporting by government employees
- Conflict of interest law in Georgia for government officials
- Improving the quality of judicial administration and training in Russia
- Comprehensive analysis of the Egyptian cotton industry to aid privatisation efforts
- Development of fourteen energy regulation agencies in through the Europe and Eurasia Bureau
- Technical assistance and training for the Palestinian Monetary Authority
- The reduction of red tape for starting businesses in Tanzania through the Investor Road Map project
- Technical and institutional support of Supreme Audit Institutions in Benin
- Assisting NGOs in Guinea Bissau to stage a televised debate on exchange rate policy
- Support of Coalition 2000 in Bulgaria, an NGO that has developed an anti-corruption plan
- The creation of the Latin American Journalism Center.

Another specific anti-corruption initiative is a \$2 million grant managed by TI to support anti-corruption work and lessons learned workshops in nine countries: Bulgaria, Ukraine, Bangladesh, Philippines, Benin, Ghana, Mozambique, Colombia and the Dominican Republic.⁷⁴⁶ More countries interested in actively pursuing anti-corruption activities include Paraguay, El Salvador, Russia, Albania and West Bank/Gaza.⁷⁴⁷ CDG has also conducted several case studies in conjunction with the Center for Institutional Reform and the Informal Sector (IRIS)⁷⁴⁸ to gather some lessons learned: Nepal, Hungary, Bolivia and Argentina.⁷⁴⁹

⁷⁴³ USAID (1999). *Promoting Transparency and Accountability*, pp. 11-15.

⁷⁴⁴ Interview with M. Eric Kite, 27 January 2000, Washington DC.

⁷⁴⁵ USAID (1999). *Promoting Transparency and Accountability*, pp. 6-20.

⁷⁴⁶ USAID (1999). *A Handbook on Fighting Corruption*, CDG Technical Publication Series, p. 19.

⁷⁴⁷ Interview with M. Eric Kite, 27 January 2000, Washington DC. TI is the only anti-corruption NGO and often receives donor support for these kinds of projects.

⁷⁴⁸ Based at the University of Maryland, IRIS brings together over one hundred sixty researchers, predominately economists, lawyers and political scientists, to conduct research and offer advice on economic growth and governance in transition and developing countries. See <http://www.iris.umd.edu/aboutiris.asp>.

⁷⁴⁹ Manziotti, L. (2000). 'Keeping Accounts: A Case Study of Civic Initiatives and Campaign Finance Oversight in

The US government completed an audit of USAID's anti-corruption work in 1999, and a copy of USAID's response to the auditor can be found in Appendix 19. Referring to item #2 in the memo, CGD has developed draft anti-corruption performance indicators of a qualitative nature, but these have not been officially approved for use.⁷⁵⁰ Referring to item #4, USAID have created a 'anti-corruption' code for the accounting system, but they are having problems getting field staff to actually use it. Field staff are used to coding things as 'public sector reform', for example, and continue to use codes with which they are comfortable.⁷⁵¹ Further efforts have been made to improve the system, such as making anti-corruption a 'primary' rather than a 'secondary' budget code, but it is still not helping in tracking projects, such as for decentralisation, with a strong anti-corruption impact. Because of the complexity of this work, there is no real way to track it.⁷⁵²

It is quite difficult to ascertain specific initiatives planned for the future, other than mission evaluations. Every year CDG sends out a mission from its office in Washington to local missions to conduct evaluations on anti-corruption needs and activities. Seven were done last year with a similar number planned this year, including Nigeria in March. These are not currently available and it is has not yet been determined if they will be made so in the future.

There are several countries USAID works in where political will does not exist and civil society is compromised, yet they have not, and most likely will not, exit. USAID will do what it can to work with civil society. However, it may have to limit its involvement in some cases because of a limited budget. Although it may be a direction USAID will move in, there is no conditionality related to anti-corruption now. As a matter of fact, 'there are lots of cases where we undertake projects because the department would like us to, where there's a directive that we should do something. In some cases, it's not the sort of thing where if we were on our own as an agency that we would do. But that's the way things work'.⁷⁵³ USAID is part of the State Department and its work may be directed from above for political or strategic reasons.

However, a recently enacted law could change the way USAID approaches anti-corruption work, making it an explicit objective in its own right, rather than as one of several objectives in democratisation programmes. In 2000, Congress passed the 'Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000'. According to Sec.202(b), 'The purpose of this title is to ensure that United States assistance programs promote good governance by assisting other countries to combat corruption throughout society and to improve transparency and accountability at all levels of

Argentina'. IRIS, November; Lanyi, A., Guevara, W. & Bell, S. (2000). 'Bolivian Customs Reform: A Case Study of Consolidating Democratic Institutions'. IRIS, November; Meagher, P. (2000). 'Changing Hands: A Case Study of Financial Sector Governance in Hungary's Market Transition'. IRIS, November; Meagher, P., Upadhyaya, K. & Wilkinson, B. (2000). 'Roads with Destinations: A Case Study of Governance and Rural Infrastructure in Nepal'. IRIS, January.

⁷⁵⁰ Interview with M. Eric Kite, 8 January 2001, Washington DC.

⁷⁵¹ Interview with M. Eric Kite, 27 January 2000, Washington DC.

⁷⁵² Interview with M. Eric Kite, 8 January 2001, Washington DC.

⁷⁵³ Interview with M. Eric Kite, 27 January 2000, Washington DC.

government and throughout the private sector'.⁷⁵⁴ Referring to the 1977 Foreign Corrupt Practices Act, a recent US Department of Commerce report explained that US firms have lost an estimated \$26 billion in contracts because of bribes paid by competitors in the last five years alone.⁷⁵⁵ The 'International Anti-Corruption and Good Governance Act of 2000' is just part of the continued pressure applied to US allies since 1977 in order 'to create a level playing field for American exporters'.⁷⁵⁶

The Act is an amendment to the 1961 Foreign Assistance Act, and it includes:

- make combating corruption a principal goal of U.S. development assistance;
- require that international technical assistance provided by the Department of Treasury also emphasise anti-corruption measures;
- mandate that the U.S. Agency for International Development establish programs to combat corruption in countries where there is a significant foreign aid program or where the United States has a significant economic interest, and that have the most persistent problems with corruption;
- enable the U.S. to fund anti-corruption programs in countries otherwise ineligible to receive U.S. foreign assistance; and,
- require the President to submit an annual report to the Congress detailing U.S. diplomatic efforts to combat corruption and foreign countries' progress towards achieving this goal.⁷⁵⁷

This bill was originally intended to help USAID, to put it at the forefront of US policy on fighting corruption overseas. However, a staff member gave me a mixed review of the bill. It is a 'blessing', in that USAID now has explicit authorisation to do work that it has been doing all along without specific authorisation. It also allows USAID the flexibility to do anti-corruption work in countries where it is not allowed to work ordinarily, or in countries where a mission is no longer necessary because of high levels of economic development (e.g., Poland and the Czech Republic). However, the bill contains what the staff member calls 'potentially onerous' reporting implications with no additional funding available for new staff.⁷⁵⁸ There are also worries about the nature of the annual reporting requirement, to be done in conjunction with the State Department. The report has the potential to become as high profile as the US annual human rights report, which has offended countries in the past for their inclusion. It is possible that the State Department will not want to risk offending countries which have strategic importance, such as the Ukraine or Nigeria, by their inclusion in a

⁷⁵⁴ United States (2000). 'International Anti-Corruption and Good Governance Act of 2000 (short title)'. H.R.1143-17.

⁷⁵⁵ The original title of the Commerce report is 'Addressing the Challenges of International Bribery and Fair Competition'. Cited in US Committee on International Relations (2000). 'Committee Passes Gejdenson Anti-Corruption Bill'. Press release, 29 June, Washington DC.

⁷⁵⁶ US Committee on International Relations (2000). 'Committee Passes Gejdenson Anti-Corruption Bill'.

⁷⁵⁷ US Committee on International Relations (2000). 'Committee Passes Gejdenson Anti-Corruption Bill'.

⁷⁵⁸ Funding is a persistent concern for USAID. The total budget for official development assistance (ODA) has been unchanged at 0.10% of GNP since 1998, despite taking on new initiatives, and that includes activities managed by both USAID and the State Department. See <http://www.oecd.org/dac/> for budget details.

corruption report, and will they instead exclude such countries so as not to offend. These could call into question the accuracy of the report. One option may be to make part of the report public but with 'confidential attachments' in sensitive cases, but CDG would rather see a fully public and transparent process.⁷⁵⁹ So far an initial report has been issued by the State Department, as required by the Act, that sets out, briefly, US and global anti-corruption initiatives to date, but there is little that indicates a path going forward.⁷⁶⁰

United Kingdom Department for International Development (DfID)
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In 1999, Secretary of State for International Development, Clare Short announced, 'My Department - the Department for International Development - is...giving increased priority to action against corruption and to working with governments which are committed to tackling corruption and reducing poverty.'⁷⁶¹ Despite this public commitment to anti-corruption, little co-ordinated or systematic work has been conducted by DfID until recently.⁷⁶² Because of this, literature on DfID's anti-corruption programme is virtually non-existent, at least in the public sphere. I have therefore relied heavily on correspondence with Phil Mason, DfID's new Anti-Corruption Co-ordinator (ACC), appointed in September 2000, to build a profile of its work in this area.⁷⁶³

The ACC is located in the Governance Department, and is responsible for overseeing DfID's anti-corruption work. He has three roles:

- 'To co-ordinate anti-corruption activities within DfID divisions
- To engage at the international strategic level (OECD, FATF, World Bank, UN, Commonwealth) and regionally
- To engage in policy making issues in Whitehall:
 - Home Office (mutual legal assistant, UK corruption law)
 - Department of Trade & Industry (DTI) (OECD Convention/ UK business)
 - FCO/Treasury (money laundering)' ⁷⁶⁴

In addition, Governance Advisors working in-country are responsible for delivering DfID's governance agenda on the ground. 'The task of the ACC is to encourage/ensure that the anti-corruption perspective is embraced by all Governance advisors in the forms appropriate for their particular countries and in

⁷⁵⁹ Interview with M. Eric Kite, 8 January 2001, Washington DC.

⁷⁶⁰ US Department of State (2001). 'Report to Congress Pursuant to the International Anti-Corruption and Good Governance Act (Public Law 106-309)'. Washington DC: GPO.

⁷⁶¹ Short, C. (1999). 'Combating Corruption, Promoting Development'. Speech given at the Royal Institute of International Affairs Conference on Corruption as a Threat to World Trade & Investment, London, 19 March.

⁷⁶² DfID did fund two significant academic studies during this time, which have been used to inform the development of its programme. The first was on anti-corruption strategies, with Liverpool John Moores University, headed by Professors Alan Doig and Robert Williams. The second was on corruption and democracy with the Institute for Development Studies (IDS), University of Sussex, headed by Professor James Manor.

⁷⁶³ Mason, P. (2001). Email to the author. 22 June.

⁷⁶⁴ Mason, P. (2001). Email to the author. 22 June.

the light of the DfID Country Strategy for that country. Only at the multilateral level and in the domestic Whitehall domain, can the ACC be regarded as playing something akin to the lead role'.⁷⁶⁵

Work currently under way focuses on three areas: work within Whitehall itself, joint work with other donors and support for international initiatives.⁷⁶⁶ In Whitehall, this includes ensuring the latest White Paper includes a commitment to tackling corruption.⁷⁶⁷ In addition, the ACC is working with the Home Office to co-ordinate its Mutual Legal Assistance (MLA), for developing and transition countries seeking to recover illegal funds deposited in UK banks. There are joint initiatives with DTI to increase awareness among UK businesses of the OECD anti-bribery convention. The ACC also supports the Export Credits Guarantee Department (ECGD) in its efforts to deter corruption through the use of sanctions.

Work with other bilateral donors is mostly focused through the Utstein Group, a network of donors which includes the UK, Germany, the Netherlands and Norway, formed at The Hague in May 2000.⁷⁶⁸ The Utstein Group 'declared their commitment to concerted action to reduce the damaging effects of corruption on development, and their readiness to collaborate with those who share this commitment, in governments, civil society and the private sector, and other development agencies, both multilateral and bilateral'.⁷⁶⁹ The group has produced an action plan, which includes commitment to the OECD anti-bribery convention, collaboration at the country level, especially with the World Bank on financial management and procurement issues and, finally, co-ordinated support for multilateral organisations, such as UNDP. In addition, the Utstein Group is developing a joint 'virtual resource centre', or online database, for experts and NGOs.⁷⁷⁰ Other examples of DfID support for international anti-corruption work can be found in Box 5.3.

⁷⁶⁵ Mason, P. (2001). Email to the author. 22 June.

⁷⁶⁶ DfID (2001). 'DfID Anti-Corruption Strategy: Summary of Activities'. Governance Department, mimeo.

⁷⁶⁷ DfID (2000). *Eliminating World Poverty: Making Globalisation Work for the Poor*. White Paper on Development. London: DfID.

⁷⁶⁸ Their first meeting was held at the Utstein Abbey in western Norway on 25-26 July 1999, hence the name. See Minbuza (1999). 'Utstein Abbey: Four Development Ministers on a Common Course'. Press statement, 26 July.

⁷⁶⁹ DfID (2001). 'DfID Anti-Corruption Strategy', p. 2.

⁷⁷⁰ DfID (2001). 'DfID Anti-Corruption Strategy', p. 2; Minbuza (2001). 'Fact sheet: Dutch development co-operation and the fight against corruption'. Internet. Accessed 20 June. Available at <http://www.minbuza.nl/english/menu.asp?Key=414054&Pad=257572>.

Box 5.3: Examples of projects funded or assisted by DfID⁷⁷¹

- Assisting WBI work in fourteen countries⁷⁷² to 'build domestic support and political pressure for anti-corruption efforts
- Anti-money laundering initiative for East & Southeast Asia, funded with the European Commission
- Participant in an ADB/OECD anti-corruption strategy for the Asia-Pacific region
- Providing start-up costs for the Commonwealth Business Council, to work with business groups on in-country anti-corruption strategies
- Developing anti-corruption guidelines for civil society organisations
- A joint forum with DTI to encourage codes of conduct and 'integrity pacts' for UK businesses
- Funding TI's first 'Global Corruption Report' (with the Utstein Group)
- Providing funding to expand the capacity of the OECD Convention Secretariat
- Leading the OECD Development Assistance Committee (DAC) re-vamped governance focus
- In discussion with the BBC World Service to use radio for publicising anti-corruption issues
- £5 million to strengthen Zambia's Anti-Corruption Commission (with Utstein Group)
- £1.4 million to establish an Anti-Corruption Commission in Sierra Leone
- Support for the Nigeria State and Local Government programme
- One of many donors in the new Partnership for Governance Reform in Indonesia, to provide a co-ordinated response to corruption in that country
- Assisting the preparation of an anti-corruption strategy in the state of Andhra Pradesh, India
- Signatory of the UN Convention Against Transnational Organised Crime

When asked about plans for future work, Mason provided the following list:

- much more systematic collaborative efforts with other donors on the ground, building on the start made by the Utstein partners
- more systematic help to developing countries in recovering stolen assets deposited abroad, in the main financial centres, such as the UK
- a more robust approach to corruption by businesses overseas, making the OECD Convention work in practice and exploring the feasibility of collective sanctions by donors on companies found behaving corruptly
- strengthening regional anti-corruption efforts, and encouraging the involvement of regional multilateral banks, such as ADB and AfDB and regional and other organisations, such as SADCC, GCA, Commonwealth

⁷⁷¹ DfID (2001). 'DfID Anti-Corruption Strategy', pp. 3-5.

⁷⁷² Ghana, Kenya, Malawi, Nigeria, Tanzania, Uganda, Zambia, India, Indonesia, Pakistan, Bulgaria, Romania, Russia, Ukraine.

- ensuring over the next two years' negotiation that the proposed UN Convention [on Corruption] takes a broad, governance approach to fighting corruption and not just a narrow criminal justice approach.⁷⁷³

These are not really new initiatives, however, but rather a commitment to following on from the work currently being done.

DfID sees its comparative advantage in its inherent nature as a bilateral donor. This includes being able to directly address political issues in country programmes, unlike the World Bank. Its funding is primarily in grant form, which recipients are more comfortable with for technical assistance, rather than taking out further loans. It also highlights its flexibility and ability to respond to changing conditions, as opposed to a very large organisation like the World Bank.⁷⁷⁴ However, as with UNDP, if the World Bank becomes more politically explicit in its work, the perceived comparative advantage would no longer exist. The Bank also has some funds available as grants for technical assistance, so it is questionable whether or not that can really be called a comparative advantage, as with the notion of DfID responding quicker to changing conditions. It has taken DfID four years after the World Bank announced its commitment to fighting corruption to actually formulate a strategy, far longer than other donors, and this calls into question how flexible it really is as an organisation or whether it has any distinctive role or comparative advantage.

European Union (EU)

The EU's response to anti-corruption work has been more measured than that of other donors for political reasons. Enlargement issues colour its dealings with Eastern Europe and CIS countries. Its relationship with Latin American and Southeast Asia is more limited than those of the US, which dominates aid and defence in those regions. Finally, it has long had a unique reciprocal agreement with the majority of developing countries through the Lomé Agreement (now the Cotonou Agreement), based on a principle of equality and dialogue.⁷⁷⁵

Democratisation and human rights have long been a concern of the EU, but this did not become firmly institutionalised until the Cotonou Agreement in June 2000. 'The promotion of human rights, democracy, the rule of law and good governance are an integral part of [Cotonou]', including an emphasis on institutional capacity building.⁷⁷⁶ The agreement is described as 'a mutual commitment to

⁷⁷³ Mason, P. (2001). Email to the author, 22 June.

⁷⁷⁴ Mason, P. (2001). Email to the author, 22 June.

⁷⁷⁵ In February 1975, forty-six countries formed the African, Caribbean, and Pacific (ACP) states and signed Lomé I (so called because the negotiations were held in Lomé, the capital of Togo) with the EC. Lomé has since expanded into the seventy-seven countries. Lomé V was recently re-negotiated in 2000 and has been renamed the Cotonou Agreement. On Lomé, see Brittlestone, M. (1989). *The EC and the Third World: The Lomé Agreement*. The European Dossier Series. London: PNL Press; Faber, G. (1982). *The European Community and Development Co-operation*. Assen: Van Gorcum and Company; Dickson, A. (2000). 'Bridging the Gap: Great Expectations for EU Development Co-operation Policies'. *Current Politics and Economics of Europe*. 9(3), pp. 275-296.

⁷⁷⁶ European Commission (2001). *The European Union's Role in Promoting Human Rights and Democratisation*

good governance, defined as the transparent and accountable management of human, natural, economic and financial resources for the purpose of equitable and sustainable development'.⁷⁷⁷ There is an explicit focus on corruption⁷⁷⁸ in the agreement with the ACP countries in this document; however, it also mentions good governance in relation to its agreements with Mediterranean countries, the Western Balkans and the Tacis (Eastern Europe and Central Asia) Region, but not corruption specifically.

Only the EU's work with the ACP countries compares to the work done by the World Bank. Despite the rhetoric of 'partnership', Cotonou is more like a traditional donor-recipient relationship than Lomé in the 1970s and 1980s, and certainly more so than the EU's relationship with other regions. This could explain why the existing literature is more open about dealing with corruption through Cotonou.

EU-ACP co-operation includes:

- 'a deeper dialogue with - and within - the ACP countries on human rights, democratic principles, the rule of law and good governance;
- greater support in priority areas, including the drafting and introduction of measures to prevent and combat corruption'.⁷⁷⁹

These measures including 'criminalising international corruption, abolishing tax deductibility for bribes, making public procurement procedures more transparent and the effectiveness of the accounting rules'.⁷⁸⁰ There is also the insistence that anti-corruption work 'should also be about creating special programmes for the vulnerable. It is not simply about setting up "democratic" mechanisms to facilitate for investors and financial and credit markets'.⁷⁸¹ However, there is, at this time, little evidence available of work on the ground or how the EU's policy will translate into action.

Nordic and Other Like-Minded Donors

Several donor countries often work together on important issues because of a sense of shared values. They often draw on each other's work, making reference to it in annual reports and speeches, drawing attention to their shared uniqueness. In addition, unlike the US and UK, they share Executive

in *Third Countries*. COM(2001)252 final, 8 May, Brussels, pp. 4-5.

⁷⁷⁷ European Commission (2001). *The European Union's Role in Promoting Human Rights and Democratisation in Third Countries*, p. 23.

⁷⁷⁸ Corruption is defined by the EU as, 'any abuse of power or impropriety in the decision-making process brought about by some undue inducement or benefit'. European Commission (1997). 'Communication for the Commission to the Council and the European Parliament on a Union Policy Against Corruption'. COM(97)192 final, 21 May.

⁷⁷⁹ European Commission (1998). 'Democratisation, State of Law: Action Plan'. From the 'Communication for the Commission on Democratisation, the Rule of Law, Respect for Human Rights and Good Governance: The Challenges of the Partnership Between the European Union and the ACP States'. COM(98)146? final, 12 March.

⁷⁸⁰ European Commission (1998). 'Democratisation, State of Law: Action Plan'. See also, European Commission (1998). 'Commission Communication on Directives for the Negotiation of a New Development Partnership Agreement with the ACP Countries'. SEC(98)119, 28 January.

⁷⁸¹ Williams, M. (1999). 'The Lomé Convention and Sustainable Human Development'. Internet. Accessed 9 November. Available at <http://www.eurosur.org/wide/lome5.htm>.

Directors and voting power in the World Bank and have to act collectively to have any impact on Bank activities. Because of this, I have chosen to study these countries together: Denmark, Sweden, Finland, Norway, the Netherlands, Ireland and Switzerland.

Each of the countries studied considers good governance to be one of the most important factors in alleviating poverty and promoting sustainable development. Definitions vary slightly, but most agree with Denmark, which states that good governance 'includes the creation of transparency, openness, and responsibility in political and administrative decision-making processes. The population must be guaranteed access to information on the decisions made by a country's authorities to ensure inter alia that resources are applied according to the needs of the population'.⁷⁸² Irish Aid insists that good governance is vital, because 'development is about freedom and dignity as well as material well-being'.⁷⁸³ Human rights and democratisation, necessary components of good governance, are seen as essential to the growth of functioning civil societies. Finland insists that good governance will help reduce causes of conflicts and inequality, and promotes democracy by 'supporting the organisation of elections, the development of legislation and justice systems...better and more transparent governance, free media, freely operating organisations and human rights training'.⁷⁸⁴

Switzerland's policy includes positive measures, such as election support and the strengthening of legal and administrative structures, policy dialogue with partner countries, and even direct conditionality.⁷⁸⁵ NORAD also stresses the importance of 'active and informed dialogue with...partner countries' to develop a 'better reciprocal understanding' of good governance, and to ensure the support of the Norwegian people.⁷⁸⁶ SIDA defines its approach as providing 'support to those parts of the public sector and civil society which constitute the foundations of democracy, respect for human rights and good governance'.⁷⁸⁷

The literature consulted contains several examples of these policies at work. DANIDA granted Mozambique US\$8.62 million in 1996, for judicial reform, renovation of twenty district courts, and further education for judges and defence lawyers. In Uganda, DANIDA provided assistance to human rights groups, as well as support for the judicial system and civil service, decentralisation efforts, public auditing, and reform of the public sector. In Vietnam, it granted US\$6.21 million for reform of the judicial system, in partnership with UNDP, in order to promote human rights and democratisation.⁷⁸⁸ In Ethiopia, Mozambique, and Uganda, Irish Aid included measures in its programmes to promote accountability at the local level, while in Tanzania it supported the local government reform programme to make it more accountable.⁷⁸⁹ Finland co-operated with UNDP in

⁷⁸² DANIDA (1997). *Denmark's Development Assistance 1996*. Copenhagen: DANIDA.

⁷⁸³ Ireland Aid (1997). *Irish Aid: Ireland's Official Development Assistance 1997*, Dublin: Ireland Aid.

⁷⁸⁴ DIDC (1998). *Finland's Development Policy*. Helsinki: DIDC.

⁷⁸⁵ SDC (1997). *Development Co-operation: Annual Report 1997*. Berne: SDC; SDC (1998). *Promoting Human Rights in Development Co-operation*. Berne: SDC.

⁷⁸⁶ NORAD (1994). *Support for Democratic Development*. Oslo: Ministry of Foreign Affairs.

⁷⁸⁷ SIDA (1998). *Annual Report 1997*. Stockholm: SIDA.

⁷⁸⁸ DANIDA (1997). *Denmark's Development Assistance 1996*.

⁷⁸⁹ Ireland Aid (1997). *Irish Aid*.

Kenya to support legislative reforms and promote human rights and democracy. In Burkino Faso, it supported the 1997 parliamentary election via a group of fourteen NGOs, which supervised local elections and provided unbiased information to voters. Finland also suspended new projects in Zanzibar and Zambia due to questionable elections and lack of electoral transparency in 1995.⁷⁹⁰

Irish Aid alone does not mention corruption as part of good governance, preferring instead terms such as 'transparency' and 'accountability'. However, with the exception of Norway, scant attention was paid to it by the other countries as well, at least in public, until 1999-2000. Irish Aid continues to focus on human rights and democratisation, and has provided IR£175,000 to WBI, partly for work on good governance.⁷⁹¹ Its annual report does refer to corruption, but only in the context of the then on-going Lomé negotiations.⁷⁹² But it remains the only donor studied which does not specifically offer support for anti-corruption work, choosing instead to focus on human rights and democratisation work.

As far back as 1997, Finland indicated support for Tanzania's upcoming election, and for its human rights commission and anti-corruption drives. It also noted that pressure from the Nordic countries pushed into the IFIs' strategies: 'reducing poverty, advancement of environmental and social issues, and action against corruption in lending procedures'.⁷⁹³ A 1999 report contained extensive coverage of good governance, democracy and human rights, but did not mention corruption.⁷⁹⁴ In 2000, a report highlights corruption as an area of concern, in the overall context of good governance, but no action is indicated.⁷⁹⁵ Dr. Olli Ruohomäki, Advisor in the Unit for Sector Policy at DIDC, highlights some anti-corruption initiatives currently undertaken by the agency in Box 5.4.

Box 5.4: Examples of projects funded or assisted by DIDC⁷⁹⁶

- Currently finalising 'Guidelines for Anti-Corruption in Finnish Development Co-operation' (published only in Finnish with an English translation planned in the future)
- Supporting the Stability Pact Anti-Corruption Initiative, including the secondment of a legal expert
- Providing core funding for TI-Berlin
- Channelling financial support through UNDP to a programme called Strengthening Capacities to Combat Corruption in Tanzania
- Tackling corruption issues as part of its political dialogue with its partner countries
- Allocating small grants through embassies in selected developing countries for local civil service initiatives aimed at anti-corruption advocacy
- Actively promoting transparency within the EU and other multilateral organisations.

⁷⁹⁰ DIDC (1998). *Finland's Development Policy*.

⁷⁹¹ Ireland Aid (2000). *Ireland's Overseas Development Aid 1999*. Dublin: Ireland Aid, p. 61.

⁷⁹² Ireland Aid (2000). *Ireland's Overseas Development Aid 1999*, p. 11.

⁷⁹³ DIDC (1998). *Finland's Development Policy*.

⁷⁹⁴ DIDC (1999). *Finland's Policy on Relations with Developing Countries*. Helsinki: Ministry for Foreign Affairs.

⁷⁹⁵ DIDC (2000). *Democracy and Human Rights: A pathway to peace and development*. Helsinki: Ministry for Foreign Affairs, p. 10.

Ruohomäki sees two areas in particular growing in importance: financial management and civil society. 'As sector-wide programming and budget support becomes an increasingly common modality for channelling aid, more attention needs to be placed on the fiduciary system of the partner countries' sector ministries. Hence, it is envisaged that work needs to be done to support the capacity building of financial accounting systems. Concomitantly, we place an importance on strengthening the role of civil society as an integral part of a functioning democracy'.⁷⁹⁷ He does not provide specific examples however.

DANIDA explains that 'widespread corruption and lack of determination on the part of the government to enter into a dialogue with the opposition and grassroots movements' caused it to cut back Kenya's assistance. For remaining projects in Kenya, DANIDA keeps a tight control on its resources, usually channelling funds and such directly to individual projects. I also mentions of Tanzania's President Mkapa's commitment to combating corruption, but indicates no direct DANIDA support.⁷⁹⁸ Its 1999 annual report describes anti-corruption work as part of its strategy to promote democracy and human rights, with corruption 'occur[ing] in the context of a lack of development'.⁷⁹⁹ It gave almost \$105 million to democracy, human rights and good governance projects in 1999, seven percent of its total aid budget.⁸⁰⁰

Partnership is a key concept for DANIDA's support. In building partnerships, it requires the recipient to pursue appropriate anti-corruption measures, among other things, which 'live up to *our* expectations'.⁸⁰¹ Success will be rewarded with increased funding, and failure could be punished by sanctions. In Africa, 'The widespread corruption...gives cause for deep concern and is having a destructive effect on long-term development work. In co-operation with partners in the programme countries, Denmark will identify initiatives that can help to combat corruption and remedy this unacceptable state of affairs'.⁸⁰² It also claims a key role in bringing about the World Bank's new focus on corruption.⁸⁰³ DANIDA's language here is strong - almost scolding. The rhetoric of partnership seems incongruous with its language of conditionality.

The same can be said of Finland's literature on good governance, in which it explains that in dealing with good governance, it will provide an open dialogue and advance international visibility of the issue, promote participation projects, ensure regular project assessment and reconsider those which are not attaining goals, and promote the status of women. It strongly promotes the concept of conditionality, stating,

⁷⁹⁶ Ruohomäki, O. (2001). Email to the author. 3 September.

⁷⁹⁷ Ruohomäki, O. (2001). Email to the author. 3 September.

⁷⁹⁸ DANIDA (1997). *Denmark's Development Assistance 1996*.

⁷⁹⁹ DANIDA (2000). *Denmark's Development Assistance 1999*. Copenhagen: Ministry for Foreign Affairs.

⁸⁰⁰ DANIDA (2000). *Denmark's Development Assistance Facts & Figures*. Pamphlet. Copenhagen: Ministry for Foreign Affairs.

⁸⁰¹ DANIDA (2000). *Denmark's Development Policy: Analysis*. Copenhagen: Ministry for Foreign Affairs, p. 6 (emphasis added).

⁸⁰² DANIDA (2000). *Denmark's Development Policy*, p. 38.

The conditionality of development aid - even in Africa - is primarily a pro-active means of influencing the structuring of a democratic society. Development aid advances the promotion of a favourable operating environment in the target countries. Conditionalisation means supporting the sectors that are expected to advance Finland's goals best. If the political situation does not meet the requirements concerning democracy and respect for human rights set for partner countries, or if the economic environment is unable to utilise external aid, Finland may conditionalise its aid by freezing or interrupting its donations.⁸⁰⁴

Here we have reference to influencing the democratic process, Finland's goals rather than recipient goals and sanctions. There is, however, no direct reference to corruption.

In 1997, Switzerland indicated its support for international anti-corruption strategies, explaining, 'Corruption is endemic in many countries and multilateral institutions are undertaking great efforts to verify the utilisation of their funds. Switzerland supports the efforts made by the OECD to compile codes of conduct concerning the fight against corruption in the industrialised countries'.⁸⁰⁵ It now has a Governance Division up and running, and has developed guidelines on combating corruption.⁸⁰⁶ Currently, its anti-corruption work is implemented at two levels: operational and thematic.

At the operational level, SDC explains that the work varies depending on the type of operation. 'When the focus is on a project-approach, we are ensuring corruption-free activities through direct supervision of activities and resources or the indirect supervision by a supporting agency. In programme-approaches and general or earmarked budget support, emphasis is put on harmonisation of procedures between donor partners and governments, for instance, for procurement, budgeting and/or expenditure tracking'.⁸⁰⁷

At the thematic level, the Governance Division focuses on information sharing to identify best practices and networking with 'like-minded competence centres or agencies'.⁸⁰⁸ SDC also actively participates in international meetings to set global standards, such as the ICC Rules of Conduct and the OECD Anti-Bribery Convention.

The Dutch, apparent newcomers in the fight against corruption, have taken a unique role in this work. They do no work of their own on the ground, preferring instead to use multilateral channels

⁸⁰³ DANIDA (2000). *Denmark's Development Policy*, p. 92.

⁸⁰⁴ DIDC (1998). *Finland's Development Policy*.

⁸⁰⁵ SDC (1997). *Development Co-operation*

⁸⁰⁶ SDC (1998). *Combating Corruption: Guidelines*. Bern: SDC.

⁸⁰⁷ Burki, O. (2001). Email to the author. 15 November.

⁸⁰⁸ Burki, O. (2001). Email to the author. 15 November.

for good governance work, including corruption.⁸⁰⁹ Instead, they focus on influencing the international debate, by hosting the workshop 'The Role of Bilateral Donors in Fighting Corruption'⁸¹⁰ and the 'Global Forum on Fighting Corruption & Safeguarding Integrity II',⁸¹¹ attended by the IFIs, governments, NGOs and anti-corruption experts, and especially through the Utstein Group, where they 'namen hiermee het initiatief om corruptie op de internationale ontwikkelingsagenda te zetten'.⁸¹²

Norway stands alone in paying a great deal of attention to corruption throughout the entire period in the literature consulted. As far back as 1994, it identified local factors to take into account when designing a development co-operation strategy, which include, 'economic policies, growth and distribution (including taxation policies), the openness, skills, and capacity of the administration, the degree of corruption, and respect for democracy and human rights'.⁸¹³ Corruption was seen as a political (as opposed to economic) condition which affected NORAD's policies, stating, 'Public administration in many countries has...been seriously weakened by increasing inefficiency and corruption'. Finally, it described corruption as a 'threat to the rights of the individual, respect for law and order, and...economic growth'.⁸¹⁴ In the 1994 report, NORAD highlighted incidences of corruption in Malawi, Tanzania, Uganda, Zambia, Zimbabwe, Bangladesh, and Nepal, but did not provide evidence of any direct support given by NORAD to anti-corruption strategies, nor did it indicate direct condemnation of such examples.

Speaking to Parliament in May 1999, Hilde Frafjord Johnson, Minister of International Development and Human rights, set out a six-point 'Norwegian offensive' against corruption:

- 'NORAD will become an international front-line organisation in the battle against corruption.
- Corruption will be put on the agenda in our dialogues with our partner countries.
- We will provide assistance to our partner countries in the battle against corruption.
- International efforts to combat corruption must be better co-ordinated, more systematic and more effective.
- NGOs must be drawn into the battle against corruption.
- Sanctions will be imposed if necessary.'⁸¹⁵

Like DANIDA, the language here is strong, punitive and quite unexpected in tone for a Nordic donor country.

⁸⁰⁹ Minbuza (2001). 'Venturing against poverty: Policy memorandum on private sector development and poverty alleviation'. Internet. Accessed 20 June. Available at <http://www.minbuza.nl/english/menu.asp?Key=414054&Pad=257572>.

⁸¹⁰ Held in Maastricht, 25-27 April 2000.

⁸¹¹ Held in The Hague, 28-31 May 2001. See <http://www.gfcorruption.org>.

⁸¹² In English, 'took the initiative to put corruption on the international development agenda'. Minbuza (2001). *Jaarverslag 2000 Internationale Samenwerking*. Den Haag: Ministerie van Buitenlandse Zaken. I am grateful to Dr. Anné-Sophie Darlington for her assistance with translation. See also, Minbuza (2001). 'Fact sheet'.

⁸¹³ NORAD (1994). *Support for Democratic Development*.

⁸¹⁴ NORAD (1994). *Support for Democratic Development*.

Director-General of NORAD, Tove Strand, has said, 'we have to make the fight against corruption a central element in all our assistance'.⁸¹⁶ She indicates three objectives for its anti-corruption plan:

1. 'Intensify Norwegian assistance to good governance and the fight against corruption in our partner countries.
2. Increase awareness and knowledge in the aid administration on how to prevent corruption in all of Norwegian-funded development co-operation.
3. Establish mechanisms for systematic collection, analysis and dissemination of experiences drawn from efforts at preventing and combating corruption.'⁸¹⁷

NORAD's work on corruption is now much more explicit and systematic. In February 2000, it launched its Good Governance and Anti-Corruption Action Plan and appointed Mette Masst to run it. NORAD refers to her as its 'corruption hunter'.⁸¹⁸ This work is part of NORAD's overall work on peace, democracy and human rights, with a budget this year of NOK506.6 million, almost ten percent of the budget total.⁸¹⁹ There is also an additional NOK1.25 billion budgeted over the next few years for specific work to improve transparency,⁸²⁰ although the report does not indicate what kinds of projects will be funded with this money. Furthermore, this work is to be scaled down, from a discrete sector to an integrated part of NORAD's divisions and embassies' work.⁸²¹

There are many similarities in these countries' approach towards development: a commitment to poverty alleviation, a dedication to helping the world's poorest people, an acknowledgement of the value of dialogue, and the desire to create a cohesive sectoral policy. They also share a dedication to the promotion of good governance as a necessary factor in creating equitable, sustainable development. They do diverge when it comes to methods of ensuring a partner country's commitment to such policies, and they also diverge when it comes to the issue of corruption. Early on, with the exception of Norway, the remaining countries seemed hesitant to address the issue in a direct manner, falling back on terms like 'transparent' and 'accountable' government. The current environment encouraged these donors to establish publicly a more pro-active stance on the issue.

This group of donors has historically been seen as more compassionate and less politicised than other donors, especially USAID. This has always been seen as its comparative advantage. Developing countries have had more confidence that these countries are truly interested in providing assistance, without a hidden (or not so hidden) political or economic agenda. They have been at the forefront of the efforts to improve human rights in its partner countries, but have been, for the most

⁸¹⁵ NORAD (2000). *NORAD's Good Governance & Anti-Corruption Action Plan 2000-2001*, p. 6.

⁸¹⁶ NORAD (2000). *NORAD's Good Governance & Anti-Corruption Action Plan 2000-2001*, p. 3.

⁸¹⁷ NORAD (2000). *NORAD's Good Governance & Anti-Corruption Action Plan 2000-2001*, p. 6.

⁸¹⁸ NORAD (2001). *Annual Report 2001*. Oslo: NORAD, p. 18.

⁸¹⁹ NORAD (2001). *Annual Report 2001*, p. 11.

⁸²⁰ NORAD (2001). *Annual Report 2001*, p. 19.

⁸²¹ Gjeltten, M. (2001). Email to the author. 22 October.

part, slow to embrace the anti-corruption agenda. Now that it has been institutionalised in most of these agencies, the language has, by and large, become more rigid, more punitive and more 'top-down', rather than a dialogue between equal partners. This raises the question of how this approach impacts on the comparative advantage in anti-corruption work claimed by some of these countries.

Evaluation of Donor Claims of Comparative Advantage in Fighting Corruption

USAID

USAID claims that its comparative advantage in fighting corruption lies in its work with civil society.⁸²² It is often argued that the US's advantage is rooted in its Tocquevillian grassroots tradition. 'For the United States at least, civil society assistance is explained as a natural extrapolation of domestic experience'.⁸²³ This does not withstand closer scrutiny. The US was not committed to support for general grassroots movements during the Cold War in the fear that leftist movements would prevail. It was only in countries with leftist regimes that the US supported civil society in order to challenge communist rule. When the Berlin Wall fell, all donors saw how civil society has the potential to bring about democratic change. Civil society thus became a major part of all donors' democratisation programmes. According to Ottaway and Carothers, 'The fact that many West European donors, who do not draw upon American-style Tocquevillian traditions, have gravitated to very much the same sort of civil society aid programs as the United States further casts doubts on the Tocqueville factor as a determining causal explanation'.⁸²⁴

Despite the fact that many donors themselves do not fit the 'weak state/strong society' model found in the US, it is the goal of their work in developing countries, especially with civil society and decentralisation. The fact that European countries do this kind of work could be construed simply as evidence of the 'herd behaviour' Cassen describes is prevalent in donor work,⁸²⁵ rather than providing an argument against the American claim to exceptionalism. Nonetheless, most donors have the same level of experience as the US with civil society work in the field, especially in the last decade, and USAID is unlikely to have any advantage over other donors.

There is one area where USAID can clearly argue that it has a comparative advantage. The US Foreign Corrupt Practices Act (FCPA) was passed in 1977, making certain payments illegal for

⁸²² Nagle and Mahr define civil society as 'the space between the individual and the state. More important is the nature of the organisations and institutions, both independent and parastatal, which occupy that space and issues of utilisation and control of these mechanisms in the policy process'. Nagle, J. & Mahr, A. (1999). *Democracy and Democratisation: Post-Communist Europe in Comparative Perspective*. London: Sage Publications Ltd., p. 64.

⁸²³ Carothers, T. & Ottaway, M. (2000). 'The Burgeoning World of Civil Society Aid'. In Ottaway, M. & Carothers, T. (eds). *Funding Virtue: Civil Society Aid and Democracy Promotion*. Washington DC: Carnegie Endowment for International Peace, p. 6.

⁸²⁴ Carothers, T. & Ottaway, M. (2000). 'The Burgeoning World of Civil Society Aid', p. 7.

⁸²⁵ Cassen, R. (1994). *Does Aid Work?*, p. 177.

American companies doing business overseas.⁸²⁶ It was introduced in response to the Lockheed scandal, when it became clear that several US companies were involved in foreign bribery, as well as contributing large sums to foreign political parties in order to influence local governments. The FCPA was unique in that unlike other countries' laws regarding corruption, it made bribery by US citizens and employees of US-owned companies a criminal act, and made all questionable foreign payments subject to disclosure. It was established to protect American foreign interests overseas and its reputation, as well as to protect the natural workings of the free market.⁸²⁷ In 1994, the US sponsored the OECD Recommendation on Bribery in International Business Transactions to encourage member states to 'take concrete and meaningful steps' to eliminate bribery of foreign officials.⁸²⁸ This became the 'OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions', which was adopted on 15 February 1999.⁸²⁹

One way USAID could work on corruption would be to strengthen its work with the private sector in its recipient countries, by encouraging companies to sign up to the OECD convention, helping draft anti-bribery legislation and supporting efforts to investigate and prosecute those companies and individuals who break anti-bribery laws. USAID has long supported private sector work, calling it 'the most efficient means of achieving broad-based economic development'.⁸³⁰ The World Bank does not currently incorporate the private sector into its work on corruption, instead focusing on the public sector, presumably because it is required to lend only to governments. USAID could thus focus on the 'supply-side' of corruption (bribe-givers) while the Bank could focus on the 'demand-side' (bribe-takers).

⁸²⁶ See <http://www.usdoj.gov/criminal/fraud/fcpa/>; Jacoby, N., Nehemkis, P. & Eells, R. (1977). *Bribery and Extortion in World Business: A Study of Corporate Political Payments Abroad*. New York: Macmillan Publishing Co., Inc.; Kolthoff, E. (1993). 'Looking Into the Future: The Control of Corruption in a Perspective of Growing Internationalization'. *Corruption and Reform*. 7(2), pp. 105-109; Rosenthal, M. (1989). 'An American Attempt to Control International Corruption'. In Heidenheimer, A., Johnston, M. & LeVine V. (eds). *Political Corruption: A Handbook*. New Brunswick, NJ: Transaction Publishers, pp. 701-715; Sobel, L. (1977). *Corruption in Business*. New York: Facts on File, Inc.; US Trade Promotion Coordinating Committee National Export Strategy. (1996). *Toward the Next American Century: A U.S. Strategic Response to Foreign Competitive Practices*. Fourth Annual Report to the United States Congress. Washington, D.C.: U.S. Government Printing Office.

⁸²⁷ Critics at the time believed that the FCPA would drastically harm American companies' competitiveness abroad. Congress decided that the potential economic damage to exports would be minimal, and that the only companies who would be hurt would be those whose only means of competing was through the payment of bribes. Rosenthal, M. (1989). 'An American Attempt to Control International Corruption', p. 710. There has been some negative impact on American exporters. In 1994, it was estimated that one hundred thirty-nine commercial contracts valued at US\$64 billion were awarded through the use of bribery. US companies lost thirty-six of those contracts valued at US\$11 billion. US Trade Promotion Coordinating Committee National Export Strategy. (1996). *Toward the Next American Century*, p. 7, 113, & 115.

⁸²⁸ US Trade Promotion Coordinating Committee National Export Strategy. *Toward the Next American Century*. p. 115.

⁸²⁹ OECD (1997). 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions'. Internet. Accessed December 1998. Available at <http://www.oecd.org/daf/cm/bribery/20nov1e.htm>.

⁸³⁰ USAID (1982). *Private Enterprise Development*. AID Policy Paper I.C.(TM1:34). Washington DC: USAID, p. 1.

As we saw previously, DANIDA felt that UNDP did not have any comparative advantage in anti-corruption work, but rather that it 'has built up a comparative advantage in addressing comprehensive public expenditure accountability issues'.⁸³¹ This incorporates assistance with systems of accounting, auditing and evaluation. According to a 1997 PACT project document, this includes:

- Improvements to budget systems through better planning, expenditure management, training, information systems and audit functions.
- Improvements to accounting systems through better trained accountants, modernised procedures and upgrading professional bodies of accountants.⁸³²

These will enhance the quality of audits, in order to ensure that public funds are spent as authorised. However, with a current overall budget of \$1.25 million, this work would need major new resources to become viable. Without it, it is difficult to see a distinctive role for UNDP in anti-corruption work.

This work would fit in well with the Bank's existing work on financial management, which lacks the depth of its work on procurement. The Bank could continue to produce its diagnosis of a country's private and public financial management systems through the CFAA, but UNDP could step in to follow-up with improvements. However, with a current overall budget of \$1.25 million, this work would need major new resources to become viable. Without it, it is difficult to see a distinctive role for UNDP in anti-corruption work.

Indeed, the DANIDA evaluation referred to a database or inventory of UN projects on anti-corruption. Unfortunately, this was stored on a laptop, which was stolen, and no backup copies had been made. PACT is currently working on rebuilding this database, with forty entered and approximately sixty to go. The target for completion was March 2000, but resource restrictions (especially personnel) have meant that it remains a work in progress.⁸³³ This situation serves to illustrate the lack of capacity at PACT, in terms of both knowledge and resources. It is unclear how any agency funded to compile a database would not know or not think about saving it onto a floppy disk and why this work is still unfinished over one and a half years after the original target date. This rather embarrassing story serves to highlight PACT's inadequate capacity, and it could be argued that it would be more appropriate for UNDP to step aside and let better-resourced agencies conduct this work.

⁸³¹ DANIDA (1999). *Evaluation Report*, p. 27.

⁸³² UNDP (1997). 'Regional Strategy for Financial Accountability in Governance'. Internet. Accessed 23 July 2001. Available at <http://magnet.undp.org/Docs/efa/BRATIS%7E1.html>.

⁸³³ Tamesis, P. (2001). Email to the author. 19 June.

DfID

It is even more difficult to find an area of comparative advantage for DfID. It has no history of work on corruption and has come into it very late in the game. It does not have an extensive history of work on civil service reform, financial management, elections monitoring, and so on. The UK does however have a long history of involvement in off-shore banking centres. Of the seventeen countries listed by the FATF as non-co-operative, six are Commonwealth countries.⁸³⁴ However, Britain has been criticised for refusing to allow FATF to include its offshore dependencies - Guernsey, Jersey, the Isle of Man, the British Virgin Islands and Gibraltar – on this list.⁸³⁵ If it were to fully embrace the fight against money laundering, DfID, working in conjunction with the Foreign Office, could have a strong role to play in supporting anti-money laundering initiatives in its recipient countries. This would complement USAID's work with the private sector, impacting on the 'supply-side' of corruption, by eliminating the places to hide moneys garnered by corrupt means.

EU

Likewise, the EU does not have a discernible comparative advantage in anti-corruption work. Its advantage as a donor lies in its tradition of dialogue and partnership, especially within the context of the Lomé agreement. It has little experience with building institutional capacity and there is no reason for the EU to make this a key focus for its development work.⁸³⁶ In addition, the corruption scandals that rocked the Commission in 1999 included extensive corruption within its own aid programme.⁸³⁷ This brings into question the EU's mandate in consulting on institutional capacity when it clearly lacks it as an institution itself. Perhaps the EU would be better advised to re-build its own reputation and to ensure the integrity of its own funds, rather than trying to advise recipients on how to avoid corruption.

⁸³⁴ FATF (2001). *Review to Identify Non-Cooperative Countries or Territories: Increasing the Worldwide Effectiveness of Anti-Money Laundering Measures*. Paris: OECD, p. 4. The full list includes the Cook Islands (New Zealand - Commonwealth); Dominica (Commonwealth); Egypt; Guatemala; Hungary; Indonesia; Israel; Lebanon; Marshall Islands; Myanmar; Nauru; Nigeria (Commonwealth); Niue (New Zealand - Commonwealth); Philippines; Russia; St. Kitts and Nevis (Commonwealth); and St. Vincent and the Grenadines (Commonwealth).

⁸³⁵ Komisar, L. (2001). 'After Dirty Air, Dirty Money'. *The Nation*. 18 June.

⁸³⁶ The focus areas for EU aid include the link between trade and development; regional integration and co-operation; support for macro-economic policies and the promotion of equitable access to social services; transport; food security and sustainable rural development; and institutional capacity-building, including good governance. EU (2001). 'The European Community's Development Policy – Statement by the Council and the Commission'. Internet. Accessed 23 July 2001. Available at http://www.europa.eu.int/comm/development/lex/en/council20001110_en.htm.

⁸³⁷ See MacMullen, A. (1999). 'Fraud, mismanagement and nepotism: the Committee of Independent Experts and the fall of the European Commission 1999'. *Crime, Law & Social Change*. 31(3), pp. 193-208; Van Buitenen, P. (2000). *Blowing the Whistle: One Man's Fight Against Fraud in the European Commission*. London: Politico; Stichting Sociale Databank Nederland (2001). 'Het rapport van Paul van Buitenen over fraude van Europese functionarissen: How the European Commission deals with its internal irregularities and fraud'. Internet. Accessed 26 July 2001. Available at <http://www.sdnl.nl/fraude.htm#verwijzing-1>; BBC (1999). 'EU Fraud – A billion-dollar bill'. Internet. 19 November. Accessed 26 July 2001. Available at http://news.bbc.co.uk/1/hi/english/world/europe/newsid_528000/528498.stm; Van Buitenen, P. (2000). 'Corruption at the heart of Europe'. *The Times (UK)*. 14 March, pp. 10-11; Van Buitenen, P. (2000). 'Punished for being honest'. *The Times (UK)*. 15 March, pp. 14-15.

As with the EU, Nordic and like-minded countries have been known for their 'unselfish' and 'generous' approaches to aid, and for their commitment to partnership and dialogue.⁸³⁸ Many of the donors, especially NORAD and DANIDA, have become increasingly paternalistic in their discourse on corruption, threatening sanctions unless their expectations and conditions have been met. No one would deny these organisations the right to ensure that their funds are spent as authorised, but this new 'tough' approach does not sit well with their established reputations, which is where these organisations' comparative advantage as institutions lies. However, it does reflect the increasing emphasis on structural adjustment within Nordic aid programmes in the 1990s and also an increasing conservatism within Nordic politics in general.⁸³⁹

This dichotomy has been noted in relation to the Nordics' concern with human rights and democratisation. Diamond refers to these donors as 'broad-based overseas development organisations, which have added democracy promotion onto more traditional development assistance'.⁸⁴⁰ This has been done without 'evidence of any strategic thinking in regard to their assistance to this sector of the policy'.⁸⁴¹ In an article on the Netherlands and Indonesia, Baehr argues that the joint objectives of the promotion and protection of human rights and in supporting the poorest countries with aid might come into conflict with one another, and do so regularly.⁸⁴² In the case of Indonesia, Baehr questions the significance of the Netherlands use of conditionality in 1992, following Indonesia's human rights violations in East Timor. The amount of aid given by the Netherlands was so small that its efforts were ineffective in bringing about change.⁸⁴³ Even working together, the total amount of aid given by the Nordic and other like-minded countries only equals approximately twenty percent of total aid given by bilaterals in 1999.⁸⁴⁴ There is thus little evidence that a strong stance by the Nordics on corruption will have the desired outcome on the policies of aid recipients.

⁸³⁸ Cassen, R. (1994). *Does Aid Work?*, p. 208; Mosley, P. (1987). *Overseas Aid*, p. 29.

⁸³⁹ See NORAD (2001). *Annual Report 2001*; DANIDA (2000). *Denmark's Development Policy*; SIDA (2000). *Annual Report*. Stockholm: SIDA; Bower, B. (2001). 'New Challenges to the Nordic Welfare Model'. *CATO Policy Report*. XXIII(3), pp. 1, 12-14; Betz, H-G & Immerfall, S. (eds) (1998). *The New Politics of the Right: neo-Populist parties and movements in established democracies*. New York: St. Martin's Press; Andersen, G., Bjørklund, T. (2000). 'Radical Right-Wing Populism in Scandinavia: from tax revolt to neo-liberalism and xenophobia'. In Hainsworth, P. (eds). *The Politics of the Extreme Right: From the Margin to the Mainstream*. London: Pinter, pp. 193-223.

⁸⁴⁰ Cited in Hearn, J. & Robinson, M. (2000). 'Civil Society and Democracy Assistance in Africa'. In Burnell, P. (ed). *Democracy Assistance: International Co-operation for Democratization*. London: Frank Cass Publishers, p. 252. Original: Diamond, L. (1997). *Prospects for Democratic Development in Africa*. Stanford: Hoover Institution on War, Revolution and Peace, p. 52, note 61.

⁸⁴¹ Hearn, J. & Robinson, M. (2000). 'Civil Society and Democracy Assistance in Africa', p. 252.

⁸⁴² Baehr, P. (1997). 'Problems of aid conditionality: The Netherlands and Indonesia'. *Third World Quarterly*. 18(2), pp. 363-376.

⁸⁴³ Baehr, P. (1997). 'Problems of aid conditionality', p. 374.

⁸⁴⁴ OECD (2001). 'Development Assistance Committee International Development Statistics'. Internet. Accessed 26 July. Available at <http://www.oecd.org/dac/htm/dacstats.htm#DCR2000>.

This does not mean that there is no role for these donors to play in anti-corruption work. Their unique character allows them to participate in discussions with recipient countries on subjects that may be too delicate for other donors to broach, including anti-corruption work. Their use of grants rather than loans could allow the donors to help countries experiment with methods that may, or may not, reduce corruption. This could include training for journalists, educational theatre, support for watchdogs or ombudsmen, and so on. Results of these projects may be difficult to quantify, but costs are relatively low in comparison to support for public sector reform projects, for example. Working within a framework for co-ordination, such as the Utstein Group, these donors could offer one-off, small-scale support for such projects.

The World Bank

This thesis has argued that the World Bank's work on corruption is both unwieldy and, in parts, violates its non-political mandate. This does not mean that it should abandon the work as a whole, but rather it should systematically evaluate the usefulness of each part of it, preferably under the rubric of a new Vice-President. Based on the research conducted for this thesis, a number of measures for the World Bank to take forward can be identified.

All donors have the responsibility to their tax-payers and to their recipients (especially when funding is in the form of loans) to ensure that the funds disbursed are spent as planned. Indeed, the Bank's Articles of Agreement demand this. The Bank's work on minimising corruption in its own projects is an important step forward. The Bank publicly accepts that its own work is not immune from corruption and that it has an obligation to its stakeholders to ensure that opportunities for corruption are minimised. This put the onus on other donors to show the same commitment within their own work. In doing so, the Bank has acknowledged the role that donors have played in helping to foster corruption in developing countries.

There are critics who argue that because of the symbiotic relationship between aid and corruption, donors are not well-placed to combat it. Cooksey claims that because aid is caught up in corruption, it 'is not a problem that aid agencies can solve...with more aid' of the same kind.⁸⁴⁵ Indeed, because aid so often is implicated in corruption scandals, more aid is exactly what the problem does not need. He argues that the status quo is unlikely to change, regardless of the Bank's efforts, for several reasons: because the Bank itself has 'a lot to hide, including corruption'; really tackling corruption would require a reduction in overall aid, the Bank's *raison d'être*; and it requires admitting to failure at a time when many criticise the Bank's credibility, from conservative politicians in the US seeking to cut the Bank's funding to left-wing anti-capitalist groups protesting at the Bank's annual meetings.⁸⁴⁶

⁸⁴⁵ Cooksey, B. (1999). 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', p. 2.

⁸⁴⁶ Cooksey, B. (1999). 'Do Aid Agencies Have a Comparative Advantage in Fighting Corruption in Africa?', p. 3.

In addition to the charge that aid funds themselves can be targets for corruption, donors have been criticised for fostering adjustment policies that are open to widespread corrupt practices.⁸⁴⁷ Two areas singled out as 'high risk' are decentralisation and privatisation. Decentralisation is intended to bring political power and decision-making closer to the people, but it can also create an entirely new level of bureaucrats who may demand bribes or mismanage funds. Privatisation of state-owned enterprises has been open to all kinds of corruption, from the undervaluing of capital goods and shares to non-transparent bidding procedures. The Bank has accepted that these programmes have proven problematic, but blames failures on a lack of capacity within the countries themselves, rather than flawed adjustment programmes. In a report on corruption in transition countries, the Bank blames the high levels of 'state capture'⁸⁴⁸ on 'partial political and economic reforms'.⁸⁴⁹ It is, once again, the inadequacy of the state in implementing these programmes, rather than the programmes themselves, that is to blame for the increased levels of corruption. Ultimately, according to the report, 'progress' in reform will have a 'powerful impact in reducing state capture',⁸⁵⁰ but it does not address the social and political costs in the interim.

Despite these criticisms, it is unlikely that the Bank's work will ever be completely free from corruption, and the Bank itself acknowledges this. The sums involved are too large to put off all unscrupulous types. However, it can do what it can to strengthen its own systems of oversight and is doing so, as Chapter Four explained, focusing primarily on procurement and auditing, as well as strengthening its investigation and reporting procedures. It is vital that this work continues, and looks to be strengthened through the new Department of Institutional Integrity.

In an earlier chapter, I expressed concern about the quality of the Bank's research on corruption and the manner in which it is used. However, it could be argued that a massive reduction in the Bank's programme, where it focuses on its own auditing and procurement procedures and discards its work on helping countries fight corruption, would remove the need for it to justify its anti-corruption work through its own research. Indeed, the Bank has a tremendous amount of resources available for research - more than any other single institution - and several of the brightest minds in economics. In the early 1990s, it appeared that the Bank was interested in a more diverse subject base, commissioning research by the political scientist and expert on corruption, Michael Johnston, for

⁸⁴⁷ In particular, see Harriss-White, B. & White, G. (1996). 'Corruption, Liberalisation and Democracy'. *IDS Bulletin*, 27(2), pp. 1-5; Hawley, S. (2000). 'Exporting Corruption: Privatisation, Multinationals and Bribery'. The Corner House Briefing No. 19, June; Haggard, S. & Kaufman, R. (eds) (1992). *The Politics of Economic Adjustment*. Princeton: Princeton University Press; Watt, D, Flanary, R. & Theobald, R. (2000). 'Democratisation or the Democratisation of Corruption? The Case of Uganda'. In Doig, A. & Theobald, R. (eds). *Corruption and Democratisation*. London: Frank Cass & Co. Ltd., pp. 37-64; Bayart, JF, Ellis, S. & Hibou, B. (1999). *The Criminalisation of the State in Africa*. Oxford: James Currey; Riley, S. (1998). 'The Political Economy of Anti-Corruption Strategies in Africa'. In Robinson, M. (ed). *Corruption and Development*. London: Frank Cass Publishers, pp. 129-159.

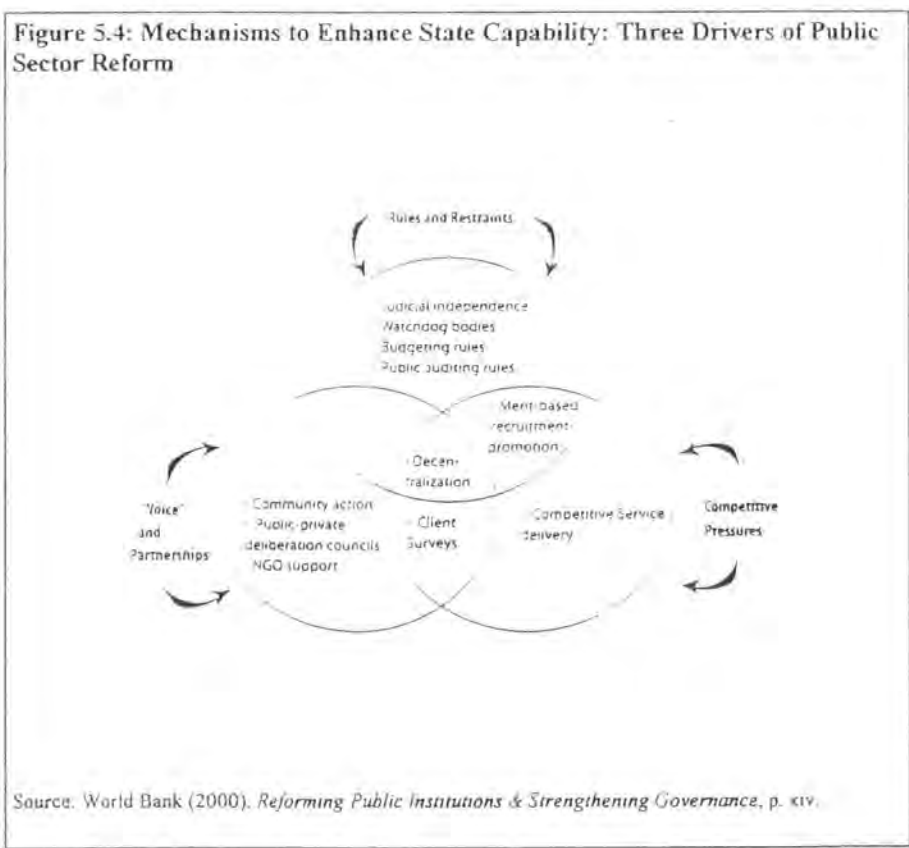
⁸⁴⁸ Defined by the report as 'the actions of individuals, groups, or firms both in the public and private sectors to influence the formation of laws, regulations, decrees, and other government policies to their own advantage as a result of the illicit and non-transparent provision of private benefits to public officials'. World Bank (2000). *Anticorruption in Transition: A Contribution to the Policy Debate*. Washington DC: World Bank, p. xv (emphasis in original).

⁸⁴⁹ World Bank (2000). *Anticorruption in Transition*, p. 32.

⁸⁵⁰ World Bank (2000). *Anticorruption in Transition*, p. 32.

example.⁸⁵³ However, as the complexity and breadth of its own programme grew, its own research base narrowed. If it were to refocus its current research portfolio and fund more research in other fields – political science, sociology, anthropology and so on – it is possible that it could produce a broader range of new material that could be used by the recipients themselves in truly home-grown anti-corruption initiatives.

The Bank could also perhaps continue its sometimes controversial but long-standing work on public sector reform (PSR) (sometimes referred to as civil service reform [CSR]). As its 2000 strategy points out, ‘The World Bank has had a mixed record in public sector reform to date. Analysis by [Operations Evaluations Department] and [Quality Assurance Group], as well as the experience gained during the past decade by the Bank’s operational staff, show the extensive breadth and depth of Bank involvement and effort, with both successes and failures as outcomes’.⁸⁵⁴ The report also highlights specific criticisms: overly technocratic; ‘best practice’ models used without taking country-specific needs into account; short-term demands overtake long-term goals; and a shortage in staff skills.⁸⁵⁵ A review published by OED finds that ‘only 33 percent of closed CSR interventions and 38 percent of ongoing efforts achieved satisfactory outcomes’.⁸⁵⁶



⁸⁵³ Interview with Michael Johnston, February 2000, Hamilton, NY.

⁸⁵⁴ World Bank (2000). *Reforming Public Institutions & Strengthening Governance*, p. xiii.

⁸⁵⁵ World Bank (2000). *Reforming Public Institutions & Strengthening Governance*, p. xiii.

⁸⁵⁶ OED (1999). ‘Civil Service Reform: a Review of World Bank Assistance’. OED Sector Study No. 19599. 4

In response, the Bank has put forward a more comprehensive approach to PSR with three important mechanisms: internal rules and restraints, 'voice' and partnership and competition. This can be seen in Figure 5.4. This is a good start for a 'slimmed down' approach to anti-corruption, where the Bank focuses its resources on PSR. However, the Bank should perhaps limit its involvement, even here. Both the 'Voice and Partnership' mechanism and judicial independence should be left to bilateral donors with the mandate to work on political issues, which these certainly are. This leaves 'Rules and Restraints' and 'Competitive Pressures' for the Bank. Without an effective and capable civil service, other Bank work on corruption is unlikely to prove effective. Indeed, I was told by a senior World Bank staff member that there is a fear that the anti-corruption programme can become too big, seen as an end in itself. An alternative is for the Bank to go back to a PSR agenda, rather than an anti-corruption one, with the ultimate goal of helping LDCs develop more effective government.

It could also be argued that the Bank's work on decentralisation should be spun off indefinitely. Decentralisation requires capacity beyond the current ability of many LDCs and is too open to abuse. It should not be part of PSR until there is greater capacity at the national level. It is also too political for the Bank to tackle. In Guinea, for example, the Bank is currently funding two programmes: the Village Community Support Programme and the Capacity Building for Service Delivery Programme. Decentralisation is a key factor in both, in order to foster governance, fiscal and administrative reform, according to the Bank. In its own words,

*Politically, the representatives of the elected CRD councils [thirty-three decentralised urban and rural communes] is being enhanced by broadening their membership to include representatives from a wide range of social, cultural, ethnic and economic groupings. Furthermore, Prefecture Development Councils (PDCs) are being established, with membership elected by and accountable to CRDs, and authority to advise on programmes and budget trade-offs across CRDs. Increasingly, regional administrations will become accountable to these PDCs, and not just to the hierarchies of central government.*⁸⁵⁵

There are several assumptions here about the ideal nature of government – closer to the public, accountable to all – that does not take into account its appropriateness in this particular setting. These are not technical or purely economic factors, but fundamentally political decisions about power and the nature of the state. The Bank does not have the mandate to conduct this sort of work, nor should it.

The Bank has been very successful in bringing international attention to the issue. The Bank is the only donor with the kind of resources and scale to deliver this kind of impact. It agrees that its comparative advantage here lies with high-level policy dialogue.⁸⁵⁶ DfID also points to the Bank's

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⁸⁵⁵ World Bank (2000). *Reforming Public Institutions & Strengthening Governance*, p. 47 (emphasis in original).

⁸⁵⁶ World Bank (2000). *Reforming Public Institutions & Strengthening Governance*, pp. 55-56.

advantage here, arguing that the Bank, in particular, has 'the clout they can bring at the highest levels'.⁸⁵⁷ Pressure from the World Bank has significantly contributed to the efforts to combat the 'supply-side' of corruption, resulting in, for example, the OECD anti-bribery convention, the TI Bribe Payers Survey, a higher profile for FATF's work on money laundering, attempts to standardise accounting practices world-wide, and a number of conferences and forums, all of which contribute to the growing international consensus on the developed world's role in corruption, an important step forward in the donor discourse.

Conclusion: The Rhetoric of Comparative Advantage

As this chapter has shown, it is difficult to see how donor rhetoric regarding comparative advantage in anti-corruption work translates into policy on the ground. The concept itself is very problematic. As argued by Dewald and Weder, it makes sense, fiscally and organisationally, for donors to fund work based on their particular strengths and leave areas where they are weak to others. However, that is not how aid works in reality. Donors involve themselves in areas like corruption for a number of reasons, and the reasons can rarely be explained by comparative advantage. Donors can thus be accused of inconsistency: they themselves point to the significance of comparative advantage, but rarely seem to have an understanding of the principle or apply it in practice. There are two solutions: either donors find their real areas of advantage and then fund projects appropriately, or they stop using the rhetoric of advantage and admit that they fund their particular anti-corruption projects for other more pragmatic reasons, despite the potential downfalls of this approach. In the meantime, we need to be cautious in evaluating claims for comparative advantage when there are political or other extraneous reasons for making such a claim.

⁸⁵⁷ Mason, P. (2001). Email to the author. 22 June.

Chapter Six: Conclusion

This chapter will summarise the main findings of this thesis and set out the implications of the findings for the World Bank and its partners in combating corruption.

Main Findings: Why and How the Bank Arrived at Its Position on Anti-Corruption

This thesis started with two main research questions. Firstly, if the Bank has long claimed that work on corruption was forbidden by its Articles of Agreement, how and why did it arrive at its current position? In this thesis, I have shown that it was the result of changes in both the theoretical and political environments, including a changing ideological climate following the end of the Cold War; external pressures from donor governments and NGOs; internal pressures from key Bank staff, especially its new president, James Wolfensohn; and also pragmatic institutional concerns.

Up to the late 1980s and the early 1990s, the general consensus among academics, politicians and aid agencies was that democracy was a product of development and was unsustainable in a poor country. Moreover, it was believed that a strong, authoritarian government was a better facilitator of the sometimes painful development process, especially following the austerity measures imposed through structural adjustment. This changed, however, with the increasing importance of democratic peace theory, which argues that democracies do not go to war against other democracies and are more stable overall than authoritarian regimes. Stability has long been seen as key to the development process, and in fact was seen by Huntington as more significant than regime type.⁸⁵⁸

At the same time, the political environment in which the Bank operated changed dramatically following the end of the Cold War. Support for authoritarian regimes dried up when bilateral donors no longer needed their support to provide a bulwark against communism. The 'peace dividend' that was predicted never appeared, and aid budgets decreased in the post-Cold War period. Some governments in developed countries combined 'aid fatigue' with a renewed interest in human rights and demanded less aid spent better. Many critics in academia and NGOs denounced the Bank practice of providing support for repressive regimes. Finally, many LDCs in Sub-Saharan Africa, Latin America and Asia chose to democratise in the immediate post-Cold War period, and the Bank had to change the way it operated and rationalised its programmes to take all of this into account.

Finally, there were pragmatic reasons behind the Bank's interest in corruption. The failure of structural adjustment to bring about the desired changes was blamed on the inadequacy of recipient government institutions, including a failure to tackle problems with corruption.

⁸⁵⁸ Huntington, S. (1968). *Political Order in Changing Societies*, New Haven: Yale University Press.

In addition, there were internal reasons why the Bank became interested in corruption. Certain individuals, predominantly found in the AFR Region, brought about pressure to address corruption in the region. In particular, this includes Peter Eigen, who left the Bank to form Transparency International when he was told that he could not deal with corruption from within the Bank; Petter Langseth, who started working on corruption in Uganda without a clear mandate from the Bank to do so; and finally, some Executive Directors, particularly the US and Scandinavians, who put pressure on the Bank's leadership. Leadership was also key, and the Bank's work on corruption really took off following the appointment of Wolfensohn as Bank president in 1996, who has staked his reputation on the anti-corruption programme.

Despite all of this, the Bank's non-political mandate was still seen as a barrier to explicit work on corruption. However, once the General Counsel provided an interpretation of the Articles that allowed for good governance work and *some* scope for work on corruption, there was an easy progression to more in depth work than was originally envisioned by Shihata, who retired as Counsel soon after Wolfensohn arrived. Individual actors, such as Langseth and Eigen, proved that working on corruption could be uncontroversial as long as it was done with the full consent of the government and while working in partnership with a like-minded partner in civil society (usually a local TI chapter). Wolfensohn cleared the way for a new interpretation of the Articles by declaring that corruption is an economic issue and not a political one, hence opening the door for explicit anti-corruption work, and a great deal of research has been done by the Bank to support his stance. Despite this, there are internal conflicts regarding the direction in which the programme should develop, and it is not entirely clear if the Bank's staff, both in Washington and in the regions, are as committed to the work as its president.

Main Findings: The Components That Make Up the Bank's Anti-Corruption Programme
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The second major research question looked at the components that make up the Bank's programme. These are based around a four-pronged strategy: preventing corruption within Bank-financed projects, helping countries establish anti-corruption programmes of their own, mainstreaming anti-corruption work into the Bank's practices, and finally, providing support for international initiatives. This same four-pronged strategy came out of the 1997 strategy document and has continued to provide a basic framework for the Bank's programme. The vague nature of this document has allowed significant movement for the development of the programme, including several new procedures and products to accommodate the new work. My examination of the components of the Bank's anti-corruption programme led to the following major findings.

Firstly, the programme lacks a sound theoretical foundation. It is based upon work that sees democracy as a pre-condition of development, with concomitant ideas regarding institutions, power, actors and the role of the state. However, the Bank has only taken on board one half of the debate regarding this relationship. The Bank is unwilling (or unable) to acknowledge the vast and well-respected literature on the 'developmental state', with its focus on a strong bureaucracy and weak civil

society. Indeed, there is also little consensus among academic studies of the appropriateness of using civil society in an attempt to combat corruption, or on the effectiveness of donor support for civil society. This is due in part to the Bank's preference for economic studies over political ones. It has announced that corruption is an economic issue, not a political one, and its research base reflects this. Its research base will thus always be flawed if it maintains this distinction, as it is not possible to address the issues contained within its current anti-corruption programme from a purely economic base.

In this same vein, the programme is justified largely by the Bank's own research. This calls into question the value not only of the research but of the work itself. It is not necessarily the case that the evidence located within the Bank's research has been devised in order to support work already in existence or work that is planned. However, because Bank reports and Bank papers rarely refer to outside work, it is open to that accusation. It also calls into question the value of any internal evaluation of the programme that is based upon the same research.

Secondly, there are some parts of the programme that are valid and important for the Bank to undertake, but there are others that need to be discarded or spun off to other agencies for two reasons: either they violate the Bank's non-political mandate or they overstretch the Bank's capacity.

The work being done within the Bank to minimise corruption in its own projects is valuable and, some would say, long overdue. There have been significant improvements in procurement and in staff training and ethics. The anonymous hotline and protection of whistleblowers is also important and welcome. Most importantly, the Department of Institutional Integrity is an important sign that the Bank intends to permanently institutionalise these procedures.

In addition, much of the work being done to mainstream concern with corruption into the Bank's lending is significant, particularly through the CAS process. This is not a legally binding document and the Bank cannot hold the borrower to recommendations made within it; however, it provides a forum for open debate between the borrower and the Bank about concerns that the Bank has with corruption within that country. Also, the CAS is open to input from civil society groups and individuals, both inside the country and from outside (e.g., international experts). It provides open and transparent documentary evidence that the Bank has raised concerns about corruption with the recipient. This can protect the Bank from criticism that it is not doing anything about corruption, and it can also provide the Bank with a defence if it feels that it cannot continue working in a country because corruption makes its work unfeasible. It can also provide an impetus for debate within the country because it is available online for anyone to access.

Finally, the Bank has proved to be an important voice for bringing about awareness in the international sphere. It has been especially influential in appealing to those involved on the 'supply-

side' of corruption: helping support the OECD anti-bribery convention, assisting FATF bring attention to money-laundering, calling for international standards for accountancy to assist audits, and so on.

On the other hand, its work on developing anti-corruption programmes in borrowing countries often violates the Bank's non-political mandate, overloads its capacity and is not proving particularly effective. None of the participants in the Core Course have produced a corruption programme in their home country that did not already exist. This may be due in part to the fact that it is questionable how many of the original countries 'volunteered' to take part and how many had their arms gently twisted by McNamara during his visit to drum up support. The Bank has not been able to successfully deal with the issue of political will, and this is likely to continue to prove problematic in work of this kind. The diagnostic surveys are of questionable value in a developing country setting. Information has value in and of itself, of course, but it is important that the information be used to inform anti-corruption strategies, and it is unclear at this point how often this is occurring and how effective it is when it does.

The clearest conflict with the Bank's mandate is in its work on community empowerment and civil society. Shihata, the former General Counsel, allowed for work on popular participation, but only 'in the design and implementation of a specific development project or program (as opposed to popular participation in general)'.⁸⁵⁹ This has not been updated to allow for more general work. This is heavily value-laden work conducted by an institution that has always claimed its work is value-neutral. It assumes that certain ways of organising society are more worthy than others, but also that this is not an inherently political decision. Referring back to the words of Tshuma: "...the Bank is involved in a process of social restructuring which involves the use of state power and is therefore political".⁸⁶⁰

The concern here is not just that this work is inherently political and violates the Bank's mandate, but also that the Bank may not stop here but will continue up the ladder of political conditionality. Previous chapters have examined the increasing 'creep' of the language of democratisation into the Bank's work on corruption. Indeed, an entire chapter in the latest *World Development Report*, the barometer of the changing direction of Bank strategy, is dedicated to a discussion of political institutions, and in particular, democratic institutions.⁸⁶¹ One section looks at the relationship between electoral rules and corruption, arguing that elections can act as an effective deterrent against corruption. 'Citizens who are fed up with cronyism and corrupt politicians can express their dissatisfaction at the ballot box.'⁸⁶² This is providing, of course, that elections are free and fair and that electoral rules are in place to punish the corrupt and to allow political parties, new and old, to act as effective opposition.⁸⁶³

⁸⁵⁹ Shihata, I. (1991). *The World Bank in a Changing World: Selected Essays*. Dordrecht: Martinus Nijhoff Publishers, pp. 93.

⁸⁶⁰ Cited in Weaver, C. (2000). 'The Discourse of Law and Economic Development in the World Bank'. Paper presented at the MacArthur Conference on the Changing Role of Law in Emerging Markets and New Democracies, University of Wisconsin, Madison, 24-26 March, p. 19.

⁸⁶¹ World Bank (2001). *World Development Report 2002*. Oxford: Oxford University Press.

⁸⁶² World Bank (2001). *World Development Report 2002*, p. 108.

Although this may be true in theory, recent empirical evidence from developed countries shows that the electorate, faced with cronyism and corrupt politicians, is more likely to withdraw from the political process, most often by refusing to vote.⁸⁶⁴ There is little reason to believe that this would be different in the developing country context. This makes elections an improbable check on corruption, in practice if not in theory. There is another concern, voiced by Richard Holbrooke, US Ambassador to the UN, referring to the 1996 elections in Bosnia, but relevant to this discussion as well. 'Suppose the election was declared free and fair,' and those who were elected are 'racists, fascists, separatists, who are publicly opposed to [peace and reintegration]. That is the dilemma'.⁸⁶⁵ Democratically elected politicians can be just as bad as non-democratically elected ones. There is no guarantee, especially in new or transitional democracies, but even in established ones, that elected leaders will act with integrity.

Moreover, as shown in Chapter Three, there is no reason to believe that democratisation in developing countries will foster economic growth or development. Cox reminds us that '[d]emocratisation and "people power" can move to the right as well as to the left', bringing a 'danger of authoritarian populism, of reborn fascism'.⁸⁶⁶ We can see moves in this direction already in Russia, where corruption is often cited as a reason to return to the 'good old days' of authoritarian rule. On the other hand, democratisation can move to the left, with civil society calling out for renewed forms of socialism, strong trade unions, increased social welfare and protection from the 'ravages' of structural adjustment and the free market.

Neither of these outcomes, which are just as likely or as predictable as any other, are discussed by the Bank as a possibility within the context of its anti-corruption programme. Indeed, the only potential outcome discussed is that corruption will be reduced, institutions will be strengthened, markets will flourish and development will result. This is largely due to the economic approach taken by the Bank, which tries to exclude the political from essentially political issues. It is not possible to discuss the many issues covered in this thesis - civil society, institution building, free media, judicial reform, community empowerment, electoral rules and so on - in a purely economic manner, which excludes considerations of power structures, class and ethnic divisions, historical trajectories, so essential to a more political approach. This is a major constraint on the effectiveness of its anti-corruption programme, and it will be a major constraint on any democratisation work that the Bank undertakes if it does indeed 'push the envelope' on this.

As I have shown, there is a wide range of sources that claim that the Bank's non-political mandate is actually a myth and one that cannot withstand the current move towards political

⁸⁶³ World Bank (2001). *World Development Report 2002*, p. 109.

⁸⁶⁴ See, for example, Pharr, S. & Putnam, R. (2000). *Disaffected Democracies: What's Troubling the Trilateral Countries*. Princeton: Princeton University Press.

⁸⁶⁵ Cited in Zakaria, F. (1997). 'Illiberal Democracy'. *Foreign Affairs*. 76(6), pp. 22-43.

⁸⁶⁶ Cox, R.W. (2000). 'Political Economy and World Order: Problems of Power and Knowledge at the Millennium'. In Stubbs, R. & Underhill, G. (eds). *Political Economy and the Changing Global Order*. (2nd ed). Oxford: Oxford University Press, p. 29.

liberalisation. This makes its approach to combating corruption problematic, as it allows only partial analysis of the issue. This impacts the research that the Bank conducts, which seems stuck in a quagmire of trying to separate the economic from the political in an area in which both are intertwined and cannot effectively be separated. This negatively impacts the way the Bank designs country strategies and implements projects. This entire history of the Bank's work on anti-corruption is plagued by the distortion of its non-political mandate. Despite Wolfensohn's attempt to redefine it as a purely economic issue, it is still also political. The Bank is still tied by its non-political mandate, and the ongoing conflict weakens the programme.

Increasingly, there seems to be crucial components of the Bank's own programme that it deems must be spun-off to a 'partner', either another donor or an NGO. However, this assumes that there is a partner both willing and able to conduct the work that the Bank deems too political for it to do itself. Chapter Five looked at the capacity of other donors and found that few have the capacity to take on the above work with any degree of success in comparison to the Bank. Although they lack the restrictive non-political mandate and are allowed to do this work if they so choose, they lack the resources to do it on a scale that would prove effective.

Implications of the Findings

Moreover, there is the danger of increased controversy for the Bank itself as it becomes an increasingly visible political actor, as it too closely associates itself with the anti-corruption agenda. Any failures could be placed at the Bank's doorstep, and not only those directly linked to a Bank project. For example, in Indonesia, President Wahid has stepped down following attempts to impeach him on charges of corruption. He has been replaced by Megawati Sukarnoputri, the daughter of former dictator Sukarno, with close links herself to the military. If the situation in Indonesia were to destabilise, the Bank itself could be implicated because of the role it has played, not only in bringing attention to the problem, but by threatening to withdraw aid unless corruption is tackled.

Indeed, a recent article in the *Guardian* newspaper points to Wahid's efforts to fight corruption as one of the reasons why he was impeached.

But just as the manner of Abdurrahman Wahid's ascent was less than totally satisfactory, so too is his downfall. He was not voted out of office. He lost no election. Instead he was impeached by the very assembly that perversely thrust him into power. The reasons were personal and political, not strictly constitutional. By attempting, however ineffectively, to tackle state corruption, prosecute human rights abuses and devolve power from the centre, Wahid alienated the military, the internal security forces, the Suharto-era government apparatus, and influential elements of the business elite.⁸⁶⁷

⁸⁶⁷ 'Great Expectations - Indonesia's New Leader Has a Lot to Prove'. *The Guardian (UK)*. 25 July 2001.

Although there is no reason to suggest that Wahid was innocent of the charges of fraud put before him by the Parliament, the situation has no easy villains or heroes, and the Bank places itself in an awkward position by putting itself at the forefront of the corruption discourse in countries like Indonesia. Indeed, it has itself been accused of complaisance in allowing an estimated twenty percent of its loans to Indonesia to be embezzled by corrupt officials.⁸⁶⁸ George Monbiot accused the Bank of 'collud[ing] in the theft, covering up for the government in order to save face'.⁸⁶⁹ It is one thing to ensure that Bank funds are properly accounted for, but it is an entirely different matter when the Bank plays a role in bringing down the government.

In his evaluation, Thornburgh highlights the potential for political volatility that the Bank's anti-corruption work could bring about. He says,

...neither the Sanctions Committee nor any other component of the Bank has been charged with addressing a situation in which an errant government official, and possibly even a national government, is found to have engaged in fraudulent or otherwise corrupt activities involving Bank funds...such an issue would be as delicate as any the Bank must face, and understandable that is one reason that the Bank has not yet attempted to resolve it. But the sensitivity of the matter would arise directly only when evidence of official wrongdoing has been clearly established and the question is presented whether legitimate political and practical considerations may preclude the Bank from initiating any action as a result of the finding.⁸⁷⁰

Thornburgh is concerned here with Bank policy – would the Bank pursue action against a national government for misuse of its funds, and if so, how would it do so? This seems to be worrying about finding a band-aid when someone has cut off their arm. The concern should not be over how the Bank will recover the funds that have been misused, but rather how it will deal with the political and economic collapse that could result from such high-level corruption and the attention brought to it by the Bank itself.

In several cases in the past few years, the Bank has been linked to turmoil resulting from high-level charges of corruption. In Papua New Guinea, Dan Weise, a resident World Bank official was expelled from the country and barred from re-entry, after senior government officials accused him 'of attempting to sabotage government policies', including his strong stance on corruption.⁸⁷¹ This put the Bank's Governance Promotion Adjustment Loan, valued at \$90 million, at risk. Negotiations between the Bank and Prime Minister Sir Mekere Morauta were successful, and the Bank reaffirmed

⁸⁶⁸ Aglionby, J. (1998). "'20pc" of World Bank loans to Indonesia stolen'. *Guardian (UK)*. 21 August, p. 14; Aslam, A. (1999). 'World Bank's Guilt on Indonesia Corruption'. InterPress Service. 15 February.

⁸⁶⁹ Monbiot, G. (2000). 'To keep them destitute and starving – the World Bank's practices allow the rich to steal from the poor'. *Guardian (UK)*. 13 April, p. 22.

⁸⁷⁰ Thornburgh, R., Gainer, P. & Walker, C. (2000). 'World Bank: Concerning Mechanisms to Address Problems of Fraud and Corruption'. Report to Shengman Zhang, Managing Director and Chairman of the Oversight Committee on Fraud and Corruption, 21 January (rev.), (internal document), p. 36.

commitment on the funding, providing that Mr. Weise would be employed by the Bank as a consultant on the loan, albeit based in Sydney.⁸⁷²

In the Philippines, the Bank was required to make an official statement after receiving a number of calls to respond to allegations of corruption against high-level officials, prior to the impeachment of former President Joseph Estrada.⁸⁷³ The Bank expressed concern about the situation but expected the government to deal with the problem as mandated.⁸⁷⁴ The Bank has been very active in denouncing corruption in the Philippines and was in the process of completing a major report on the subject. If found guilty, President Estrada could face the death penalty.

In Kenya, long-time government opponent Dr. Richard Leakey stepped down as Head of the Public Service, following a vote of no confidence.⁸⁷⁵ Prior to this, Kenya's Constitutional Court ruled that the Kenya Anti-Corruption Authority (KACA) was unconstitutional, suspending the body and all on-going investigations. KACA had been an IMF and World Bank requirement for reinstatement of lending and lacked the mandate and support of parliament.⁸⁷⁶

In Uganda, claims were made that Vice President Specioza Wandira Kazibwe had mismanaged a World Bank-funded valley dam project, worth \$3.4 million. Dr. Kazibwe defended herself against the charges, passing the blame on to her predecessor as well as her deputy, the current Minister of Works.⁸⁷⁷ She was backed by President Museveni, who suggested that malice may have had a role to play in the way MPs jumped on the allegations.⁸⁷⁸ Dr. Kazibwe was also the head of the government's Anti-Corruption Unit, and had upset many MPs and important citizens with her high-profile investigations.⁸⁷⁹ However, the allegations were never proven and she remains in her post.

These examples are intended to show the problematic nature of the Bank's response to allegations of corruption in its borrowing countries, and even within its own projects. In Indonesia and the Philippines, supporters of the two deposed leaders rioted in the streets during the investigations, and it is still uncertain whether these fledgling democracies can withstand the crises. In Kenya, anti-corruption initiatives have been forced upon a parliament and leadership unwilling to support them, resulting in their failure. In Uganda, the World Bank's star pupil on corruption, allegations of fraud

⁸⁷¹ Korimbao, D. (2001). 'World Bank director Weise expelled'. *The National (PNG)*. 9 February.

⁸⁷² World Bank (2001). 'Joint Statement by the Government of Papua New Guinea and the World Bank'. Press Release, 18 February.

⁸⁷³ CBS News Worldwide (2000). 'Philippines Corruption Trial Set'. Internet. 7 December. Accessed 31 July 2001. Available at <http://www.kyw.com/now/story/0,1597,255307-412,00.shtml>

⁸⁷⁴ World Bank (2000). 'World Bank Statement on Allegations of Corruption Against High Public Officials in the Philippines'. Press Release No. 2000-4/EAP, 17 October.

⁸⁷⁵ 'Civil service shuffle may herald change'. *Daily Nation (Kenya)*. 29 March 2001.

⁸⁷⁶ Integrated Regional Information Networks. (2001). 'Kenya: Court rules anti-corruption body "illegal"'. Internet. 15 January. Accessed 31 July 2001. Available at <http://www.reliefweb.int/IRIN/cea/countrystories/kenya/20010115.phtml>.

⁸⁷⁷ World Bank (1999). 'Ugandan VP Defends Herself Against Mismanagement Claims'. *Development News*. 1 April.

⁸⁷⁸ Osike, F. (1999). 'Museveni Backs VP Kazibwe and Blasts Ministers'. Internet. 25 November. Accessed 31 July 2001. Available at <http://www.ovpuganda.net/content/nandi/news/19992511.htm>.

⁸⁷⁹ 'Ugandan Graft Check on NGOs, Village Leaders'. *The East African*. 10 December 1997.

appear to have been minimised or swept under the carpet. In each of these cases, the World Bank's anti-corruption activities have been tentative and confused, demanding that national governments be seen to be doing something about corruption and supporting investigations into fraud, and then pulling away at the last minute when the investigations bear fruit. The Bank issues statements about unacceptable high-level corruption, as it did in Indonesia, while distancing itself from the leadership changes and political turmoil that result.

This thesis has explained how and why the World Bank became involved in combating corruption, and examined its chosen methods of dealing with it. I have argued in the thesis that the Bank's understanding of, approach to and its preferred ways of dealing with corruption are inadequate, incoherent and flawed. This is not to say that the Bank should not be concerned about corruption. It has an obligation to protect the integrity of its own funds, and reducing corruption is in the best interest of its borrowers and its other shareholders. It can do this by pushing more resources at its procurement division, ensuring that the bidding process is as transparent as possible; by doing more on-site inspections of projects; by making its own documents more freely available for external review; and by strengthening its existing work on public sector reform. This work is less controversial than its work on community empowerment, more likely to be effective than its work on diagnostic tools, and does not require a dramatic rethink of the Bank's Articles of Agreement and its non-political mandate.

Appendix 1: The Organisational Structure of the Bank and Its Articles of Agreement⁸⁸⁰

The Bank's management consists of a Board of Governors and its Executive Directors. The Board consists of one governor and one alternate governor appointed by each member country. The governors meet only occasionally, usually at the joint annual meeting of the Bank and IMF. They may delegate all business to the executive directors except for the following: (1) the admission of new members; (2) the increase or decrease of capital stock; (3) the suspension of a member; (4) interpretations of the Articles of Agreement; (5) approval of formal agreements with other international organisations; (6) the distribution of net income; and (7) the liquidation of the Bank (Art. V. Sec. 2). Each member has two hundred fifty votes plus one additional vote for each share of stock held, with voting decided by majority (Art. V. Sec. 3). The executive directors, also appointed by each member country, are responsible for the day-to-day business of the Bank, with twelve directors in total, five of which are appointed by each of the five members having the largest number of shares.⁸⁸¹ The remaining seven are elected by the governors other than the top five shareholders, from a pool of candidates appointed by each of the remaining member countries (Art. V. Sec. 4). Governors serve a term of five years, while directors serve two-year terms, and each may be re-appointed for an unlimited number of terms. The president is selected by the directors, and serves as their chairman. He or she may only cast deciding votes in cases of equal division, and may be removed at any time by the directors (Art. V. Sec. 5). All Bank presidents have been American citizens, including current President James Wolfensohn, born in Australia but now a naturalised American citizen.

Article I of the Articles of Agreement of the IBRD states that the purpose of the Bank is, 'To assist in the reconstruction and development...of members by facilitating the investment of capital for productive purposes...to promote private foreign investment...[and] to promote the long-range balanced growth of international trade...'. Membership is limited only to those countries already members of the IMF (Art. II. Sec. 1(a)). Authorised capital was originally limited to \$10 billion, divided into 100,000 shares having a par value of \$100,000 each (Art. II. Sec. 2(a)), but has since been increased, as of 27 April 1988, to 1,420,500 shares, or \$14,205 million (Art. II. Sec. 3(b).1).

⁸⁸⁰ World Bank (1944). *Articles of Agreement of the International Bank for Reconstruction and Development (amended 1989)*. Internet. (4 November 1998). Available: <http://www.worldbank.org/html/extdr/backgrd/ibrd/arttoc.htm>.

⁸⁸¹ The five largest shareholders in 1946 were the US (30.73%), the UK (12.72%), China (6.01%), France (5.28%), and India (4.08%) (Note: India took the place of the Soviet Union who declined membership). The five largest shareholders as of June 1992 are the US (17.49%), Japan (8.01%), Germany (6.19%), France (5.93%), and the UK (5.93%).

Table A.1: Change in IBRD Membership and Voting Power, 1953-1971

Regions:	% of Votes (31/12/53)	% of Votes (30/6/71)
North America	34.95	27.74
Europe	35.94	31.26
Latin America/Caribbean	6.94	7.43
Asia/Australasia	17.59	18.77
Middle East/North Africa	3.11	5.62
Sub-Saharan Africa	1.47	7.34
Total	100.00	100.00

Sources: World Bank (1954). *The International Bank for Reconstruction and Development 1946-1953*. Baltimore: The John Hopkins Press, pp. 231-232; Mason, E. and Asher, R. (1973). *The World Bank Since Bretton Woods* Washington D.C.: The Brookings Institution., 1973, pp. 800-802.

Currently, the Bank makes loans to developing countries through four agencies, which make up the 'World Bank Group':⁸⁸² the IBRD, which deals with loans to middle-income countries at commercial rates of interest; the International Development Association (IDA), which loans to the poorer countries at more favourable rates of interest and repayment; the International Finance Corporation (IFC), which focuses on private projects and capital; and the Multilateral Investment Guarantee Agency (MIGA), which encourages direct investment.⁸⁸³

At the inaugural meeting in Savannah, it was determined that the US's capital subscription of \$3.2 billion entitled it to 35% of the Bank's votes, with the UK second at 14%. White, the US founder, insisted that the Bank represented *all* member countries, and was not just a 'rich man's club', but he took pains to avoid the 'one-country-one-vote' policy of the UN General Assembly.⁸⁸⁴ Membership in the Fund was considered a prerequisite for joining the Bank, possibly because, according to Luxford, "...we wanted to force countries to agree to standards in the monetary field as a condition to get the benefits of the Bank".⁸⁸⁵

Although the Bank is technically an agency of the UN, an agreement signed in 1947, makes it a very specialised agency. Unlike the FAO or WHO, for example, the Bank is completely independent from the UN. It finances itself, and is able to safeguard information about its members and clients from the UN and others. The UN cannot interfere in loan decisions, but is able to make technical recommendations for relevant development projects.⁸⁸⁶

⁸⁸² This thesis is only concerned with the IBRD and the IDA as the primary lenders to developing countries.

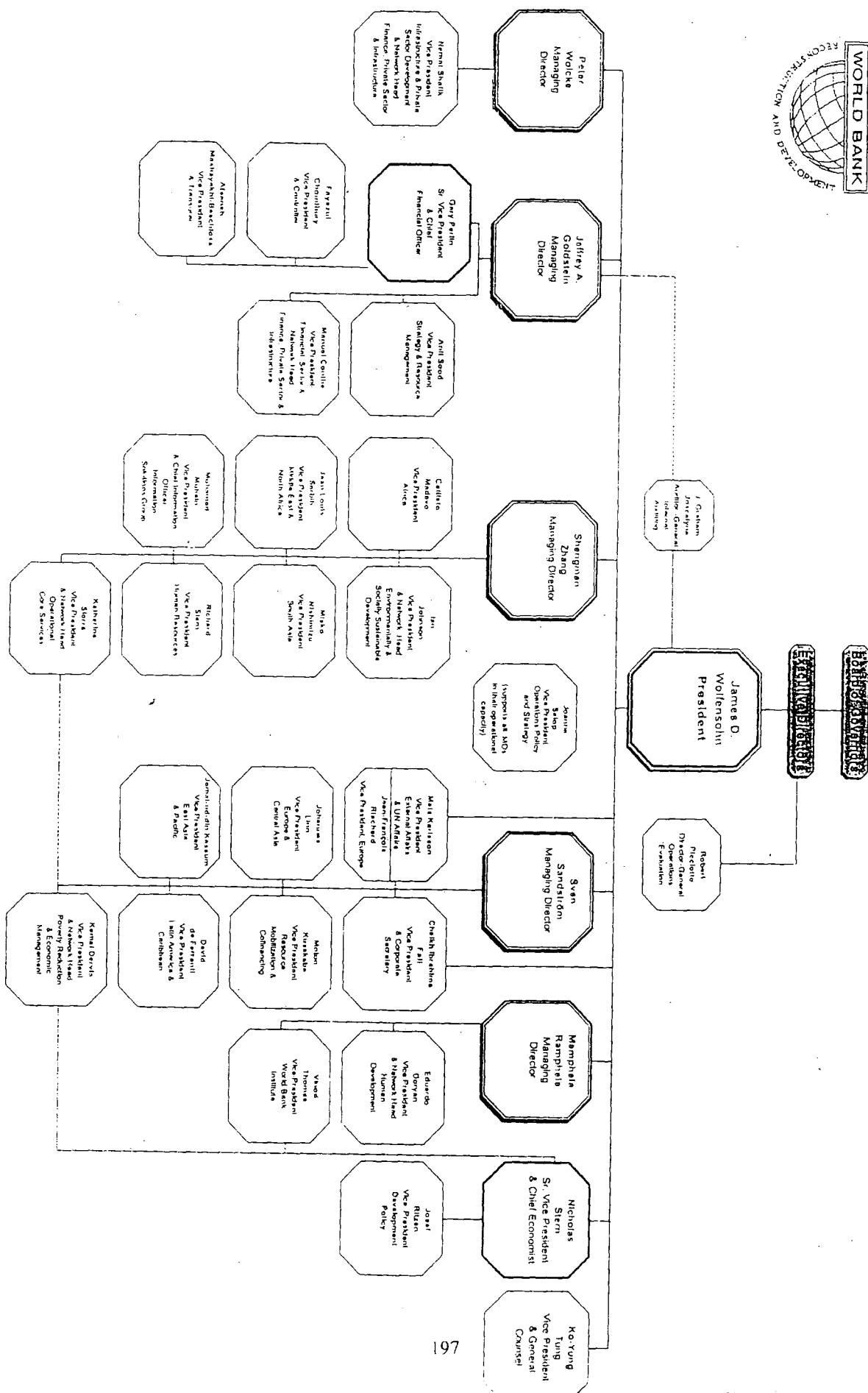
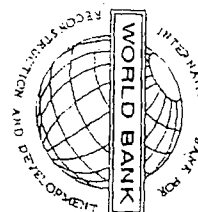
⁸⁸³ Williams, M. (1994). *International Economic Organizations and the Third World*. London: Harvester Wheatsheaf, pp. 101-109.

⁸⁸⁴ Oliver, R. (1971). 'Early Plans for a World Bank'. Princeton Studies in International Finance, Princeton University. No. 29, September, p. 5.

⁸⁸⁵ Cited in Mason, E. and Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 19.

⁸⁸⁶ Mason, E. and Asher, R. (1973). *The World Bank Since Bretton Woods*, p. 58.

Appendix 2: World Bank Organisation Chart, 1 September 2000



Appendix 3: Methodology

Document Categories	Characteristics
Analytical documents (a) Main strategy papers (3) (b) Discussion papers (29) (c) Books/articles (18) (d) Conference reports (16)	Period covered: 1983-2001 - Official Bank perspective - Individual Bank staff members' perspective either in their official or unofficial capacity - Outside perspectives from consultants/conference participants
World Development Reports (18)	Period covered: 1983-2001 Annual reports highlighting the Bank's perspective about economic problems facing borrowing countries
Annual Reports (18)	Period covered: 1983-2001 Annual reports highlighting the Bank's performance and strategy in a given period
Speeches (8)	Period covered: 1996-2000 Speeches from past and present Bank presidents as well as other top Bank officials
Press Releases (14)	Period covered: 1997-2000
Internet sites (40)	Period covered: 1997-2000 Important sources of background information
Internal Documents (5)	Period covered: 1998-2000
Country specific documents (a) Country Assistance Strategy documents (3 CASS) (b) Institutional Governance Reviews (3 IGRs) (c) Comprehensive Development Framework documents (1 CDF)	Period covered: 1997-2001 - Full CAS reports available only since 1998 - 5 IGR pilots undertaken during period covered - 12 CDF pilots undertaken during period covered but only one is available

1. Analytical Documents

There are three main strategy papers on anti-corruption work at the Bank. The first, published in 1997, sets out the initial strategy.⁸⁸⁷ This was followed by a 2000 progress report⁸⁸⁸ and a another report in 2000 on the Bank's strategy on institutional reform and governance, with a heavy anti-corruption component.⁸⁸⁹

2. World Development Reports (WDRs)

These reports provide vital indicators of the direction in which Bank policy is heading. Going back as far as 1983, one can find early references to concern with corruption, but this did not become a named Bank priority until the 1997 WDR on the changing role of the state.

3. Annual Reports

⁸⁸⁷ World Bank (1997). *Helping Countries Combat Corruption: The Role of the World Bank*. Washington DC: World Bank.

⁸⁸⁸ World Bank (2000). *Helping Countries Combat Corruption: Progress at the World Bank Since 1997*. Washington DC: World Bank.

⁸⁸⁹ World Bank (2000). *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*. Washington DC: World Bank.

These provide valuable statistical information (budgets, lending portfolios) as well as performance indicators of programmes. By comparing these to the previous year's WDR, one can establish if the rhetoric spelled out in the WDR has translated into Board action or funding.

4. Speeches

Wolfensohn, the Bank's current president, uses speeches as a way to get his message out to as many people as possible, and he has spoken on a considerable number of occasions about the Bank's corruption work. I have also consulted speeches by other Bank staff, but Wolfensohn, as the Bank's head and the anti-corruption programme's champion, remains my primary focus throughout.

5. Press Releases

The Bank's external relations team uses press releases to get information out to journalists and researchers about significant changes in policy or interesting developments. Relevant press releases for this thesis include, for example, those on changes to staff rules, the termination of Bank employees and consultants for corruption, and announcements of new relevant research.

6. Internet Sites

Because of the internet's informal and transient nature, monitoring changes to key websites also highlights important patterns of change in strategy. Although the complexity of the Bank's programme has meant that a large number of sites have been consulted or monitored, the two that are particularly relevant are <http://www1.worldbank.org/publicsector/anticorrupt/> and <http://www.worldbank.org/wbi/governance/>.

7. Internal Documents

For obvious reasons, these are few and far between, and I am grateful for the generosity of employees who have given me unpublished materials. Some of these have proven very important and are referred to in the text as 'internal document'.

8. Country-specific Documents

When possible, I have tried to complement my examination of the Bank's anti-corruption programme with real-life examples of work being done in countries. I have tried to provide examples from each major borrowing region – Southeast Asia, Eastern Europe, Latin America and Sub-Saharan Africa.

Agency/Individual	Characteristics
World Bank	First Round (January-February 2000) – 7 interviewees Second Round (January 2001) – 6 interviewees Phone Interviews (2001) – 2 interviewees Personal Correspondence – 7 correspondents
United Nations Development Programme (UNDP)	First Round (February 2000) – 1 interviewee Personal Correspondence - # correspondents
United States Agency for International Development (USAID)	First Round (January 2000) – 1 interviewee Second Round (January 2001) - 1 interviewee
Other Bilateral Donors	Personal Correspondence - 6 correspondents
Academics	January-February 2000 – 3 interviewees Personal Correspondence – 3 correspondents
Miscellaneous	Personal Correspondence – 3 correspondents

Face-to-face interviews were conducted in the US, UK and Europe over a two-year period. Initial contact was made via letter or email. In most cases, I had a small number of questions prepared but allowed the interview to follow the direction in which the interviewee wanted to take it. This produced some surprising and very positive results. I did tape a small number of interviews, but the majority were untaped, relying instead on my notes. Although this had its drawbacks, it allowed for a more open and frank discussion, especially among World Bank staff.

Appendix 4: List of Interviews and Correspondents

<i>Institution</i>	<i>Name</i>	<i>Affiliation</i>
ADB	A. Michael Stevens	Senior Audit Specialist (Financial Investigator) Anticorruption Unit Office of the General Auditor
Bretton Woods Project	Alex Wilks	Project Co-ordinator
Colgate University	Michael Johnston	Professor of Political Science
DfID	Phil Mason	Anti-Corruption Co-ordinator Governance Department
DIDC	Olli Ruohomäki	Advisor Unit for Sector Policy
GCA	Aileen Marshall	Senior Advisor
JICA	Aiichiro Yamamoto	Resident Representative UK Office
Kirkpatrick & Lockhart LLP	Dick Thornburgh	Counsel
NORAD	Marit Gjeltun	Advisor on Human Rights Unit for Governance and Civil Society
SDC	Olivier Burki	Economist Governance Division
The RAND Graduate School	Robert Klitgaard	Dean and Ford Distinguished Professor of International Development and Security
UNDP	Pauline Tamesis	Programme Co-ordinator Programme for Accountability & Transparency Management Development & Governance Division
University of Maryland at College Park	Herb Werlin	Retired
USAID	M. Eric Kite	Democracy Officer Center for Democracy & Governance
World Bank	Anita Baker	Manager Office of Business Ethics & Integrity
	Paul Collier	Director Development Research Group
	Cheryl Gray	Director

	Public Sector Group Poverty Reduction & Economic Management Thematic Group
John Heilbrunn	Public Sector Specialist Public Sector Group Poverty Reduction & Economic Management Thematic Group
Polly Jones	Country Program Co-ordinator for Ghana Africa Region
Brian Levy	Sector Manager Public Sector Reform and Capacity Building Africa Region
Dino Merotto	Assistant to the UK Executive Director
Stephen Pickford	UK Executive Director
Jean-Jacques Raoul	Manager Procurement Policy and Services Group
Robin Ritterhoff	Assistant to the US Executive Director
Anwar Shah	Lead Economist/Evaluation Officer and Co-ordinator Public Sector Management/Institutional Reform Operations Evaluation Department
Geoffrey Shepherd	Lead Specialist Public Sector Latin America & the Caribbean Region
Rick Stapenhurst	Public Sector Management Specialist Governance, Regulation & Finance World Bank Institute
Mike Stevens	Lead Specialist Public Sector Reform and Capacity Building Africa Region
M. Helen Sutch	Sector Manager Public Sector Group Poverty Reduction & Economic Management Thematic Group
Skip White	Co-Manager

		Investigations Unit Department for Institutional Integrity
	Pablo Zoido-Lobaton	Development Economics Research Group Governance, Regulation & Finance World Bank Institute
Yale Law School	Susan Rose-Ackerman	Henry R. Luce Professor of Jurisprudence

Appendix 5: EDI Documents With Anti-Corruption Component (1990-1997)

Year	Author(s)	Title	Description (if available)
1990	Adamolekun, L. & Shields, E.	'Civil Service Improvement'	EDI Review article indicating results of 1989 workshop organised by EDI, involving senior officials from twenty countries and five international organisations
1995	Langseth, P., Nogxina, S., Prinsloo, D., & Sullivan, R. (eds)	'Civil Service Reform in Anglophone Africa'	Report of the proceedings of a workshop held in South Africa, 24-28 April 1995; Convened by EDI, in collaboration with the British Overseas Development Administration (ODA), the Ministry of Public Service and Administration, the Public Service Commission (PSC) and the South African Management & Development Institute (SAMDI)
1995	Langseth, P.	'Civil Service Reform in Uganda: Lessons Learned'	EDI Working Paper, based on author experience and the outcomes of the 'Workshop on Enhancing Ethics, Transparency, and Accountability and Combating Corruption, held in Mukono, Uganda, in December 1994
1995	Langseth, P. & Simpkins, F. (eds)	'Integrity Workshop in Uganda II: Final Workshop Proceedings'	Proceedings of a workshop convened by the Inspectorate of Government, Uganda, 27-28 November; Facilitated by Transparency International and EDI and funded by DANIDA and EDI
1995	Pope, J. & Langseth, P. (eds)	'Investigative Journalism in Uganda I'	
1995	Ogoso Opolot, E. & Langseth, P. (eds)	'Investigative Journalism in Uganda II'	
1995	Langseth, P. & Cooksey, B. (eds)	'The National Integrity System in Tanzania (Arusha I)'	
1995	Beschel, R. & El-Kayed, Z. (eds)	'Jordan Integrity in Government Seminar'	
1996	Cockcroft, A.	'Service Delivery Survey: Corruption in the Police, Judiciary, Revenue & Lands Services'	Report of the Presidential Commission on Corruption, Government of Tanzania; Funded by EDI, with technical support from Transparency International, CIET International, and the Tanzania Food & Nutrition Centre (TFNC)
1996	Bruton, H. & Hill, C. (eds)	'The Evaluation of Public Expenditure in Africa'	EDI Learning Resources Series, which shares lessons learned through a series of comparative case studies
1996	Langseth, P. & Simpkins, F. (eds)	'Uganda International Conference on Good Governance in Africa:	The Inspectorate of Government, Government of Uganda in co-operation with Transparency International and EDI; 21-25 April in Uganda

1996	Simpkins, F. (ed)	Empowering Civil Society in the Fight Against Corruption' 'Investigative Journalism in Tanzania I'	
1996	Langseth, P. & Simpkins, F. (eds)	'Good Governance for Private Sector Development & Investment in the Middle East & North Africa'	
1996	Cooksey, B., Langseth, P. & Simpkins, F. (eds)	'The National Integrity System in Tanzania (Parliamentarians Workshop)'	
1996	Langseth, P. & Galt, K. (eds)	'Governance: Public Participation, Decentralisation and Integrity (Donors' Meeting, May 1996)'	
1996	Aderinwale, A. (ed)	'African Parliamentarians Meeting: The Sustenance of Political Liberalisation in Africa'	
1996	Simpkins, F. & Langseth, P. (eds)	'Investigative Journalism in Uganda III & IV: First & Second Workshops from Women Journalists'	
1996	Sharkey, K. & Aflala, B. (eds)	'Compte-Rendu de l'Atelier Régional de Formation des Journalistes'	
1997	Langseth, P., Stapenhurst, R. & Pope, J.	'The Role of a National Integrity System in Fighting Corruption'	EDI Working Paper, explaining how to establish a 'national integrity system'
1997	Langseth, P. & Stapenhurst, R.	'National Integrity System Country Studies'	EDI Working Paper, utilising a comparative case study between Uganda and Tanzania
1997	Langseth, P., Kato, D., Kisubi, M. & Pope, J.	'Good Governance in Africa: A Case Study from Uganda'	EDI Working Paper, with focus on decentralisation, civil society and service delivery
1997	Kpundeh, S. & Langseth, P. (eds)	'Good Governance for Sustainable Development: Final Workshop Proceedings'	Uganda Workshop for Parliamentarians, 13-14 March, Kampala; Organised by the Speaker of the House of the Parliament of Uganda, in collaboration with Transparency International and TI-Uganda, and funded by DANIDA and EDI
1997	Kpundeh, S. & Langseth, P. (eds)	'Good Governance for Private Sector	16-19 March, Entebbe; Sponsored by the Government of Uganda (Ministry of Public

		Development in Africa: A Regional Ministerial Seminar'	Service), and Uganda Manufacturers Association, facilitated by EDI, and funded by the Ministry of Public Service, Uganda, CIDA, and EDI
1997	Larsen, A. & Ytzen, F.	'Investigative Journalism: Freedonia'	Fictitious case study
1997	Simpkins, F. & Stapenhurst, R. (eds)	'Investigative Journalism Workshop in Mauritius'	
1997	Stapenhurst, R. & Simpkins, F. (eds)	'Investigative Journalism in Tanzania II'	
1997	Stapenhurst, R. & Simpkins, F. (eds)	'Advanced Investigative Journalism in Uganda'	
1997	Stapenhurst, R.	'Public Expenditure Management: Kariba'	
1997	Kpundeh, S., van Ham, M. & Simpkins, F. (eds)	'The National Integrity System in Malawi'	

Appendix 6: PREM Anti-Corruption Website

<http://www1.worldbank.org/publicsector/anticorrupt/>

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There is increasing evidence that corruption undermines development. It also hampers the effectiveness with which domestic savings and external aid are used in many developing countries, and this in turn threatens to undercut grassroots support for foreign assistance. - *James D. Wolfensohn*

Focus:

Reforming Public Institutions and Strengthening Governance: A World Bank Strategy

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The four main themes of the Bank's Anti-Corruption strategy:

- Preventing Corruption in Bank Projects
Includes How to Report Fraud and Corruption
- Helping Countries Reduce Corruption
 - Includes Learning Programs and Lending & Technical Assistance
 - Related Governance and Public Sector Reform Websites:
Decentralization, Legal Institutions of the Market Economy, Public Expenditure On-line, State Owned Enterprise Reform
- Mainstreaming Anti-Corruption in Bank Projects
- Supporting International Efforts

Tools & Resources

- What's New
- Helping Countries Combat Corruption: Progress at the World Bank since 1997
- Countries Working with the World Bank
- Partners
- Research
- Bank Links
- About Us & Feedback

Appendix 7: Blank CDF Matrix

THE ACTIVITIES OF PARTNERS IN THE DEVELOPMENT PROCESS

THE PREREQUISITES FOR SUSTAINABLE GROWTH AND POVERTY ALLEVIATION														
	Structural				Human		Physical				Specific Strategies			
	(1) Good and Clean Govern- ance	(2) Justice System	(3) Financial System	(4) Social Safety Net and Social Programs	(5) Education and Knowledge Institutions	(6) Health and Popula- tion	(7) Water and Sewerage	(8) Energy	(9) Roads, Trans- portation and Tele- commu- nications	(10) Environ- mental and Cultural Issues	(11) Rural Strategy	(12) Urban Strategy	(13) Private Sector Strategy	(14) (Country Specific Hleadings)
Government - National - Provincial - Local														
Multilateral and Bilateral Institutions														
Civil Society														
Private Sector														

Appendix 8: CDF Matrix – Bolivia

Comprehensive Development Framework - Bolivia																											
POVERTY ALLEVIATION																											
OPPORTUNITY Higher Rates of Sustainable Economic Growth				EQUITY Improve Income Distribution and Inclusion				INSTITUTIONALITY Governability for Opportunity and Equity				DIGNITY Remove Itself from Coca Drug Trafficking Circuit															
Infrastructure		Regulatory Framework for PSP		Financial System		Natural Resources and Environment		Rural Development		Income and Productivity of the Poor and Indigenous		Social Services for Gender and Excluded Groups		Decentralization and Community Empowerment		Efficient and Transparent State		Judicial Reform		Corruption		Alternative Development for Coca Areas		Coca Crops Eradication		Enforcement Policy	
Transport - Rural Infra-structure - Rural Water and Sanitation Municipal Development - El Alto		Regulatory Reform - Privatization		Financial Regulatory Reform - MIGA Services for Investing in Banking - IFI financial institutions		Biodiversity Conservation - Environment Industry and Mining		Agro-Technology Rural Communities Development - Land Administration		Participatory Rural Investment - Indigenous Peoples Social Investment Fund		Education Quality - Education Reform Health Sector - Child Development - Secondary and Higher Education		Municipal Development - Financial Decentralization - Socialization		Institutional Reform - Public Expenditure Review Decentralization and Accountability		Judicial Reform National Integrity		National Integrity							
Transport - Urban Development - Housing		Water Regulatory Reform - Sectoral Privatization		Environmental Regulations		Ecological Tourism		Agricultural Sector		Basic Sanitation for Small Municipalities - Micro-enterprise		Education Reform - Basic Health Child Development		Social Participation Strengthening		National Governance		Justice Program									
EU Trade - Korea Private		Private Investment Development - Sweden Industrial Corporation		USAID Micro-finance - EU Financial System Expansion		USAID Natural Resources - KfW Biodiversity - UNDP Ecological Tourism and Biodiversity		Netherlands Rural Telecoms And Energy Spain Rural Power - UNDP Information - KfW Land Administration - Denmark		UNEP Rural Water and Sanitation - KfW recharge - Denmark and TIA Indigenous		Sweden and UNDP Education Reform - Germany Education - UNICEF Health, Nutrition and Sanitation - UNDP and USAID Health		Netherlands Admin-istrative Decentralization - UNICEF and EU Municipality Strengthening		USAID Governance Initiative - Sweden Denmark and GTZ Civil Service		Complementary activities by USAID and GTZ									
Private Sector - Telecommunications Water Power				Banks Insurance Co				Local NGOs		Local NGOs				Local NGOs						TI							

Appendix 9: Sample Master Bidding Documents⁸⁹⁰

Bid Submission Sheet Input of Information to be completed by Bidder

Bid Submission Sheet

Date: [insert date (as day, month and year) of
Bid Submission]

ICB No.: [insert number of bidding process]

Invitation for Bid No.: [insert No of IFB]

Alternative No.: [insert identification No if this
is a Bid for an alternative]

To: [insert complete name of Purchaser]

We, the undersigned, declare that:

- (a) We have examined and have no reservations to the Bidding Documents, including Addenda No.: [insert the number and issuing date of each Addenda];
- (b) We offer to supply in conformity with the Bidding Documents and in accordance with the delivery schedule specified in the Schedule of Supply the following Goods and Related Services [insert a brief description of the Goods and Related Services];
- (c) The total price of our Bid, excluding any discounts offered in item (d) below, is: [insert the total bid price in words and figures, indicating the various amounts and the respective currencies];
- (d) The discounts offered and the methodology for their application are:

Discounts. If our bid is accepted, the following discounts shall apply. [Specify in detail each discount offered and the specific item of the Schedule of Supply to which it applies.]

Methodology of Application of the Discounts. The discounts shall be applied using the following method: [Specify in detail the method that shall be used to apply the discounts];

- (e) Our bid shall be valid for a period of [specify the number of calendar days] days from the date fixed for the bid submission deadline in accordance with the Bidding Documents, and it shall remain binding upon us and may be accepted at any time before the expiration of that period;
- (f) If our bid is accepted, we commit to obtain a performance security in accordance with the Bidding Documents in the amount of [insert amount and currency in words and figures of the performance security] for the due performance of the Contract;
- (g) Our firm, including any subcontractors or suppliers for any part of the contract, has nationals from eligible countries [insert the nationality of the Bidder, including that of all parties that comprise the Bidder, if the Bidder is a consortium or association, and the nationality each subcontractor and supplier];
- (h) We are not participating, as Bidders, in more than one bid in this bidding process, other than alternative bids in accordance with the Bidding Documents;

⁸⁹⁰ World Bank (1999). 'Master Bidding Documents: Procurement of Goods & User's Guide', October. Available at <http://www.worldbank.org/html/opr/procure/mdbgoods.html>.

- (i) Our firm, its affiliates or subsidiaries—including any subcontractors or suppliers for any part of the contract—has not been declared ineligible by the Bank, *under the Purchaser's country laws or official regulations or by an act of compliance with a decision of the United Nations Security Council*;
- (j) The following commissions, gratuities, or fees have been paid or are to be paid with respect to the bidding process or execution of the Contract: **[insert complete name of each Recipient, its full address, the reason for which each commission or gratuity was paid and the amount and currency of each such commission or gratuity]**

Name of Recipient	Address	Reason	Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(If none has been paid or is to be paid, indicate "none.")

- (k) We understand that this Bid, together with your written acceptance thereof included in your notification of award, shall constitute a binding contract between us, until a formal contract is prepared and executed.
- (l) We understand that you are not bound to accept the lowest evaluated bid or any other bid that you may receive.

Name: **[insert complete name of person signing the Bid]**
legal capacity of person signing the bid]

In the capacity of **[insert**

Signed: **[insert signature of person whose name and capacity are shown above]**

Duly authorized to sign the Bid for and on behalf of: **[insert complete name of Bidder]**

Dated on _____ day of _____, _____ **[insert date of signing]**

Bid Security

Date: _____
 ICB No.: _____
 Invitation for Bid No.: _____

To: _____

Whereas _____ (hereinafter
 "the Bidder") has submitted its bid dated _____ for ICB No. _____
 for the supply of _____
 _____ hereinafter called "the Bid."

KNOW ALL PEOPLE by these presents that WE _____ of
 _____ having our registered office at

_____ (hereinafter "the Guarantor"), are bound unto _____ (hereinafter "the Purchaser") in the sum of _____ for which payment well and truly to be made to the aforementioned Purchaser, the Guarantor binds itself, its successors, or assignees by these presents. Sealed with the Common Seal of this Guarantor this _____ day of _____, _____.

THE CONDITIONS of this obligation are the following:

1. If the Bidder withdraws its bid during the period of bid validity specified by the Bidder in the Bid Submission Sheet, except as provided in ITB Sub-Clause 20.1; or
2. If the Bidder, having been notified of the acceptance of its bid by the Purchaser, during the period of bid validity, fails or refuses to:
 - (a) execute the Contract; or
 - (b) furnish the Performance Security, in accordance with the ITB Clause 44; or
 - (c) accept the correction of its bid by the Purchaser, pursuant to ITB Clause 31.

We undertake to pay the Purchaser up to the above amount upon receipt of its first written demand, without the Purchaser having to substantiate its demand, provided that in its demand the Purchaser states that the amount claimed by it is due to it, owing to the occurrence of one or more of the above conditions, specifying the occurred conditions.

This security shall remain in force up to and including twenty-eight (28) days after the period of bid validity, and any demand in respect thereof should be received by the Guarantor no later than the above date.

Name _____ In the capacity of _____

Signed _____

Duly authorized to sign the bid security for and on behalf of _____

Dated on _____ day of _____, _____.

Agreement

THIS AGREEMENT made the _____ day of _____, _____, between _____ of _____ (hereinafter "the Purchaser"), of the one part, and _____ of _____ (hereinafter "the Supplier"), of the other part:

WHEREAS the Purchaser invited bids for certain Goods and Related Services, viz., _____ and has accepted a Bid by the Supplier for the supply of those Goods and Related Services in the sum of _____ (hereinafter "the Contract Price").

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. In this Agreement words and expressions shall have the same meanings as are respectively assigned to them in the Contract referred to.

2. The following documents shall be deemed to form and be read and construed as part of this Agreement, viz.:

- (a) the General Conditions of Contract;
- (b) the Special Conditions of Contract;
- (c) the Schedule of Supply;
- (e) the Bid Submission Sheet and the Price Schedules submitted by the Supplier;
- (f) the Purchaser's Notification to the Supplier of award of Contract; and
- (g) _____.

3. In consideration of the payments to be made by the Purchaser to the Supplier as indicated in this Agreement, the Supplier hereby covenants with the Purchaser to provide the Goods and Related Services and to remedy defects therein in conformity in all respects with the provisions of the Contract.

4. The Purchaser hereby covenants to pay the Supplier in consideration of the provision of the Goods and Related Services and the remedying of defects therein, the Contract Price or such other sum as may become payable under the provisions of the Contract at the times and in the manner prescribed by the Contract.

IN WITNESS whereof the parties hereto have caused this Agreement to be executed in accordance with the laws of _____ on the day, month and year indicated above.

Signed by _____ (for the Purchaser)

Signed by _____ (for the Supplier)

Appendix 10: World Bank Listing of Ineligible Firms (as of April 2000)⁸⁹¹

Name & Firm Address	Ineligibility	Period
	From	To
Canadax Technologies of Verdun, Quebec, Canada	March 16, 1999	Permanent
Pierre Savignac of Verdun, Quebec, Canada	March 16, 1999	Permanent
Pradeep S. Nair of London, UK	April 8, 1999	Permanent
Crown Sakura Ltd. of London, UK	April 8, 1999	Permanent
Chase Berkeley Cavendish Ltd. of London, UK	April 8, 1999	Permanent
Amani B.P. Ltd. of London, UK	April 8, 1999	Permanent
Berga, SPA of Quinto di Treviso, Italy	April 12, 1999	October 12, 1999
Case Technology Ltd. of Watford, Herts., UK	June 25, 1999	June 24, 2002
Nepostel Consultancy BV of Leidschendam, The Netherlands	June 25, 1999	Permanent
All Nippon Engineering Corp. (ANEC) of Yokohama, Japan	October 27, 1999	Permanent
Penmacs Corp. of Yokohama, Japan	October 27, 1999	Permanent
Nikko Research Center Ltd. of Tokyo, Japan	October 27, 1999	October 26, 2004
Nikko Research Center (America) of Washington DC, USA	October 27, 1999	October 26, 2004
International Access Corp. of Washington DC, USA	October 27, 1999	October 26, 2004
Labh Singh Gill of Warwickshire, UK	February 11, 2000	Permanent
Vikram Deepak Gursahaney of Lagos, Nigeria	February 11, 2000	Permanent
Gurpreet Singh Malik of Lagos, Nigeria	February 11, 2000	Permanent
Pradeep Menon of London, UK	February 11, 2000	Permanent

⁸⁹¹ Available at <http://www.worldbank.org/html/opr/procure/debarr.html>.

Shivshanker Pre Nair of London, UK	February 11, 2000	Permanent
Mandeep S. Sandhu of New Jersey, USA	February 11, 2000	Permanent
Kamal Sharda of Lagos, Nigeria	February 11, 2000	Permanent
Agricultural Development Services Ltd. of London, UK	February 11, 2000	Permanent
Ana Exports Ltd. of London, UK	February 11, 2000	Permanent
Coldline Inc. of New Jersey, USA	February 11, 2000	Permanent
Consultants for International Development PLC of London, UK	February 11, 2000	Permanent
Cord Construction Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Cybertex International Ltd. of London, UK	February 11, 2000	Permanent
Drill Technologies & Co. of London, UK	February 11, 2000	Permanent
Economic Consulting Group of London, UK	February 11, 2000	Permanent
Emkay Enterprises Ltd. of London, UK	February 11, 2000	Permanent
Engineering Projects International of London, UK	February 11, 2000	Permanent
First Fuji Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Flair Developments Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Infotek & Co. of London, UK	February 11, 2000	Permanent
Inter Emirates & Co. of Dubai, UAE	February 11, 2000	Permanent
International Development Projects Services of London, UK	February 11, 2000	Permanent
Inter-Russ Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Labh Universal of Coventry, UK	February 11, 2000	Permanent

Medirite Group Ltd. of Middlesex, UK	February 11, 2000	Permanent
Mirna International of Berkshire, UK	February 11, 2000	Permanent
Norsk-Agro Ltd. of London, UK	February 11, 2000	Permanent
Resource Development Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Ribalco International of Berkshire, UK	February 11, 2000	Permanent
Sharda Impex (UK) Ltd. of UK/Lagos, Nigeria	February 11, 2000	Permanent
Shereena Agriculture Ltd. of Kano, Nigeria	February 11, 2000	Permanent
Shivind Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Thrust Technologies & Co. of London, UK	February 11, 2000	Permanent
Times International & Co. of London, UK	February 11, 2000	Permanent
United Basel Ltd. of Isle of Man, UK	February 11, 2000	Permanent
West End Associates Ltd. of Isle of Man, UK	February 11, 2000	Permanent
Agric-Canada of UK	February 24, 2000	Permanent
Karitex Ltd. of Nigeria	February 24, 2000	Permanent
Overseas Project Services Ltd. of UK	February 24, 2000	Permanent
Rashid Nigmatullin of Tashkent, Uzbekistan	March 28, 2000	March 28, 2005
Mouchel Int. Consultants of West Byfleet, UK (REPRIMAND ONLY)	September 27, 1999	Remains eligible

Appendix 11: WBI Anti-Corruption Website

<http://www.worldbank.org/wbi/governance/>

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Appendix 12: Inventory of World Bank Anti-Corruption Activities

A Partial Inventory of the Bank's Governance and Institutional Reform Programs FY98, FY99, and FY00 (1st half)

A Partial Inventory of the Bank's Governance and Institutional Reform Programs FY98, FY99, and FY00 (1st half) Countries with Programs to Strengthen Governance

A Partial Inventory of the Bank's Governance and Institutional Reform Programs FY98, FY99, and FY00 (1st half)

Strategy, Research and "Good Practice" Documents	Bank-Staff Training	Participation in International Efforts
BANKWIDE ACTIVITIES		
(FY99-00) Public Sector Strategy Paper: "The World Bank: Addressing the Challenge of Reforming Public Institutions and Strengthening Governance"	Training Workshops (FY98) 48 Integrity Awareness Seminars at headquarters and resident missions (FY99) Anti-corruption Diagnostic Tools (PRMPS, WBI) (FY99) Mainstreaming Anti-corruption in the CAS (PRMPS, WBI) (FY99) Reducing Corruption: A Search for Lessons of Experience (PRMPS, WBI) (FY99) Regional Orientation Workshops in AFR, EAP, ECA, LAC, MNA (Regions, WBI) Preparation for SAR (FY00) (FY99) New Employee Orientation: Ethics component (OPE)	(FY98-99-00) Observer status at <ul style="list-style-type: none"> • OECD Working Group on Bribery • International Chamber of Commerce Standing Committee on Extortion and Bribery • DAC Experts Group on Monitoring Performance in Good Governance • United Nations Office of Drug Control, and • Interpol International Groups of Experts on Corruption (FY98-99-00) Participation on MDB Working Group on Governance, Anti-corruption and Capacity Building
<p>PREM Notes:</p> <p>(FY98) PREM Note 4: "Corruption and development"</p> <p>(FY99) PREM Note 7: "New frontiers in diagnosing and combating corruption"</p> <p>(FY99) PREM Note 19: "Using an ombudsman to oversee public officials"</p> <p>(FY99) PREM Note 23: "Using surveys for public sector reform"</p> <p>(FY99) PREM Note 24: "Fostering institutions to contain corruption"</p> <p>(FY99) PREM Note 25: "Assessing borrower ownership using reform readiness analysis"</p> <p>(FY00) PREM Note 26: "The law and economics of judicial reform"</p> <p>(FY00) PREM Note 29: "Assessing political commitment to fighting corruption"</p> <p>(FY00) PREM Note 30: "Mobilizing civil society to fight corruption in Bangladesh"</p> <p>(FY00) PREM Note 31: "Rethinking civil service reform"</p> <p>(FY00) PREM Note 33: "An anti-corruption strategy for revenue administration"</p> <p>(FY00) PREM Note 34: "Reducing court delays: Five lessons from the United States"</p>		

Public Sector Group

PREM

Analytic and Advisory Activities: APL: Adaptable Program Loan; ASEM: Asia-Europe Meeting; CAS: Country Assistance Strategy; CAS-PR: CAS Progress Report; CDF: Comprehensive Development Framework; CEM: Country Economic Memorandum; CFAA: Country Financial Accountability Assessment; CPAR: Country Procurement Assessment Review; CPFA: Country Profile of Financial Accountability; DCTF: Danish Governance Trust Fund; ICAC: Independent Commission Against Corruption; IDF: Institutional Development Fund; IGR: Institutional and Governance Review; OPE: Office of Professional Ethics; PER: Public Expenditure Review; PERC: Public Expenditure Reform Credit; PRMPS: PREM Public Sector Anchor; SAL: Structural Adjustment Loan; SOE: State Owned Enterprise; SSR: Social and Structural Review; TA: Technical Assistance; WBI: World Bank Institute

Source: World Bank (2000). "An Inventory of the Bank's Anti-Corruption, Governance, and Institutional Reform Activities". Internet. Accessed 18 October. Available at <http://www1.worldbank.org/publicsector/anticorrupt/inventory.htm>

	Grant-Based Technical Assistance	ESM and African Reports	In-country workshops, surveys	Governance related lending (active projects)
AFRICA				
Regional programs		(FY99) Research program on determinants of corruption in Africa (FY99) Study on Corruption and the Financing of Politics in Africa (FY00) Sourcebook for community-driven development	(FY98) Corruption Workshop for Bank Staff and Clients (ED). (FY98-00) Regional Investigative Journalism Workshops - print and radio journalists (West and East Africa - ED/WB). (FY99) Role of African Parliaments in Combating Corruption (WB). (FY99) Anti-corruption Core Course for seven African countries (WB). (FY99) Workshop: The Media's Role in Combating Corruption (WB). (FY99) Information for Accountability Workshops: Supporting Accountability and Anti-corruption Strategies in Sub-Saharan Africa (IRMT/Danish Governance TF). (FY99-00) Support to the African Parliamentarians Network against Corruption (WB). (FY00) Presentations at Ninth International Anti-corruption conference in Durban, South Africa. (FY00) Investigative Journalism Teleseminar Series: Anglophone and Francophone Africa (WB).	(FY00-01) Preparation of a regional project to reform the public procurement systems of member countries of the UEMOA in West Africa.
Angola		(FY98) CFEA		
Benin	(FY99) IDJ Grant Reinforcement of Anti-corruption Unit in Presidency.	(FY99) CTPAR (FY99) Pilot ICJR to assess areas of weak governance and poor public sector performance (FY00-01) CFEA	(FY98) Anti-corruption seminar (ED). (FY99) Anti-corruption seminar as part of IDJ Grant to Anti-corruption unit. (FY99-00) Participant in WB Core Course on Anti-corruption. (FY00) Participant in Investigative Journalism Teleseminar Series (WB).	(FY99) Private sector development and judicial reform project. (FY99) Transport Sector Investment program. (FY00-01) Preparation of PERC with financial accountability components. (FY00-01) Preparation of Legal and Judicial Reform Project. (Approved FY92) Public Institutional Development project
Burkina Faso		(FY00) CTPAR (FY00) Study on the Governance underpinnings of service delivery		
Cameroon		(FY98-FY00): Consultant reports on public expenditure and public investment. (FY00) Development of good governance and anti-corruption action plan. (FY01) CFEA	(FY00) Participant in Investigative Journalism Teleseminar Series (WB).	(FY00-01) Strong transparency components dominate the overall Chad-Cameroon Pipeline package.

	Grant-Based Technical Assistance	ESM and Mission Reports	In-country workshops, Surveys	Government-related lending (active projects)
Cape Verde		(FY01) CPAR		(Approved FY94) Public Sector Reform and Capacity Building project. (FY98) Economic Reforms Support project. (FY99) Privatization and Regulatory Capacity Building project.
Chad	(FY00) IDJ Grant to support National Assembly	(FY00) Development of good governance and anti-corruption action plan (FY00) CFPA (FY01) PIER	Participatory process linked to PRSP	(Approved FY96) Capacity Building project. (FY99) Structural Adjustment Credit III. (FY00) Technical Assistance Credit on Management of Oil Revenue (FY00-01) Strong transparency components dominate the overall Chad-Cameroon Pipeline package.
Cote d'Ivoire		(FY98) CFPA (FY99) Country regulatory framework paper. (FY00-01) CFPA	(FY00) Conference on Good Governance, focusing on corruption (22-24 November 1999). (FY00) Participant in Investigative Journalism Teleseminar Series (WBI).	(Approved FY93) Economic Management Technical Assistance project.
Eritrea		(FY99) CPFA (FY00-01) CFPA (FY00-01) CPAR		
Ethiopia (New operations are on hold owing to the war with Eritrea)	(FY99) IDJ Grant Civil Service Reform and Capacity Building	(FY98) Anti-corruption mission and report; follow-up work is based on decision to designate Ethiopia as the pilot country in Africa for introducing the Anti-corruption Clause in Bank procurement. (FY98) CPFA (FY98-01) PIER, conducted annually in Ethiopia (FY98) CPAR (FY99-00) Pilot ICR to assess areas of weak governance and poor public performance (FY00-01) CFPA	(FY98) Anti-corruption Seminar for Parliamentarians (EDJ). (FY99) Three Introductory Investigative Journalism Seminars including Radio and Television journalists (WBI). (FY99-00) Governance and Corruption Survey (WBI/DCTF) (FY99-00) Participant in WBI Core Course on Anti-corruption. (FY00) Participant in Investigative Journalism Teleseminar Series (WBI). (FY00) Support to GOF/CSK Program, development of Investigative Journalism curricula (WBI).	
Gambia			(FY98) Improving Cabinet decisions on public expenditure management (EDJ). (FY98-00) Seminar for Public Accounts and Finance Committees (EDUWBI)	
Ghana		(FY00) CFPA and CPAR underway (FY00-01) Participatory CAS and CIDF process		(FY98/FY99) Economic Reform Support Operation Project VII.

	Grant-Based Technical Assistance	ESIF and Mission Reports	In-country workshops, Surveys	Governance related lending (active projects)
Guinea		consulting government, donors and civil society. (FY00-01) Study to develop a consistent, cross-sectoral decentralisation strategy, following through on anti-corruption survey, the institutional reform of ministries, and the development of measures to monitor and evaluate government performance	(FY99) Seminar for Economic and Financial Journalists on Transparency and Integrity (WBI and African Virtual University). (FY99-00) Participant in WBI Core Course on Anti-corruption. (FY00-01) Governance and Corruption Survey. (FY00) Participant in Investigative Journalism Teleseminar series (WBI).	(FY99) APL. Capacity Building for Service Delivery
Guinea-Bissau	(FY98) IDJ Grant Nodary and Registration Service.	(FY98) Strengthening Customs Administration	(FY00-01) Governance and Corruption Survey.	
Kenya	(FY00-01) Preparation and implementation of IDJ Grant for support to the Kenyan Anti-corruption Authority	(FY98) C/AS. Best practice. (FY99) C/AS. Addressed problem of corruption and public sector management	(FY99-00) WBI Core Course on Anti-corruption. (FY00-01) Governance and Corruption Survey.	(Approved FY93) Parastatal Reform and Privatization Technical Assistance project. (Approved FY95) Institutional Development and Civil Service Reform project. (FY99) Institutional Development and Civil Service Reform project. (FY01) Proposed Public Sector Adjustment Credit will focus on accountability and transparency in the use of public resources
Lesotho		(FY99) Policy dialogue on Civil Service Reform is part of PJP process.		
Liberia		(FY00) Collaborating with IMF to remove monopolies on petroleum products and rice imports.		
Madagascar		(FY98) C/P/A		(Approved FY97) Public Management Capacity Building project. (FY99) Structural Adjustment Credit II.
Malawi	(FY00-01) IDJ Grant Reinforcement of Anti-corruption Bureau	(FY98) Anti-corruption mission and report.	(FY99-00) Participant in WBI Core Course on Anti-corruption. (FY00-01) Governance and Corruption Survey	(Approved FY94) Institutional Development project II. The five major components include: (i) improving civil service policy and information framework; (ii) strengthening capacity of

	Grant-Based Technical Assistance	ESM and Mission Reports	In-country workshops, surveys	Government-related lending (active projects)
				department of personnel management; (iii) strengthening institutional capacity of the Ministry of Finance; (iv) support the Department of Statutory Bodies; and (v) strengthen the Malawi Institute of Management. (Approved FY96) Fiscal Restructuring and Deregulation Program project (FRDP).
				(FY99) FRDP II. (FY00) Structural Adjustment Credit will support financial management reform, the office of Auditor General, judicial and legal reform, and decentralisation of the administration of the civil service. (Approved FY96) Economic Management Credit.
Mali		(FY99) Anti-corruption mission and report (FY99) C/PAR	(FY98) Seminar for Public Accounts and Finance Committees (EID). (FY99) Seminar for Economic and Financial Journalists on Transparency and Integrity (WBI) and African Virtual University). (FY99) Seminar for Public Accounts and Finance Committees of Parliament (WBI).	
Mauritius		(FY98) C/P/A	(FY98) Household and Private Sector Corruption Surveys (EID). (FY98) National Integrity Meeting (EID). (FY98) Support for Anti-corruption Legislation (EID). (FY98) Introductory and Advanced Investigative Journalism Seminars (EID).	
Mauritania				(Approved FY96) Public Resource Management Credit.
Mozambique	(FY00) IDP Grant Supporting the Technical Group for Public Sector Reform	(FY00-01) C/PAR (FY00-01) Governance central to CAS. (FY00-01) Report on accountability and transparency in the delivery of public services.		(Approved FY93) Legal and Public Sector Capacity project. (FY00-01) Preparation of multi-faceted public-sector reform project.
Niger		(FY99) C/PAR (FY00-01) C/PAA		(FY99) Public Finance Reform Credit.
Nigeria		(FY00) Missions to develop comprehensive approach to anti-corruption. (FY00) C/PAA and C/PAR	(FY00) Preparation of governance and corruption surveys. (FY00) Initiation of training program for parliamentarians and journalists (WBI).	(FY00) Preparation of Economic Management Capacity-Building Project which will have components for strengthening

	Grant-Based Technical Assistance	ESW and Mission Reports	In-country workshops, surveys	Government related lending (active projects)
				economic and financial management.
Rwanda		(FY98) C/P/A		(FY99) Economic Recovery Credit.
Sierra Leone				(Approved FY93) Public Sector Management Support project: to strengthen capacity to implement adjustment program and longer-term growth strategy, focusing on fiscal management.
				(FY00) Governance and anti-corruption component included in the new Economic Rehabilitation and Recovery Credit.
Senegal	(FY98) IDJ Grant, National Consultation on Civil Service Reform.			
South Africa	(FY99) IDJ Grant Setting up Institute for Public Finance and Auditing.	(FY98) C/P/A	(FY00) Regional Johannesburg police to improve security and governance	
Tanzania		(FY98-00) Anti-corruption mission and report follow-up to the mission is the initiation of an accountability and transparency program. (FY00) C/PAR	(FY98) Introductory and Advanced Investigative Journalism Seminars. Business Journalists (EIDJ). (FY98) Integrity Workshop for Parliament (EIDJ). (FY99) Introductory and Advanced Investigative Journalism including Radio and Television (WBI). (FY99) Strengthening of Parliamentary Oversight (WBI). (FY99-00) Participant in WBI Core Course on Anti-corruption. (FY00) Participant in Investigative Journalism Teleseminar series (WBI).	(Approved FY93) Financial and Legal Management Upgrading project. (Approved FY93) Private and Public Sector Management project (Approved FY97) Structural Adjustment Credit I. (FY99) Tax Administration Program project. (FY00) Public Sector Reform Project focuses on service delivery, meritocratic public service, performance management and budgeting, pay reform, and ethics.
Uganda	(FY00) IDJ Grant, Strengthening the capacity of the Ministry of Ethics and Integrity	(FY98) C/P/A (FY99) Anti-corruption mission and report. (FY99) Study on corruption and the financing of politics. (FY99) Anti-corruption report on Agenda of C/GM and of February meeting of C/C/A. (FY00) C/PAR	(FY98) National Integrity Meeting III (EIDJ). (FY98) 3 Investigative Journalism workshops (EIDJ). (FY98) National Integrity Survey (EIDJ). (FY98) Integrity Meeting and Workshops for Parliament and Judiciary (EIDJ). (FY99) National Integrity Meeting IV. (EIDJ). (FY99) National and District Media Training Investigative Journalism – TV & Radio (WBI). (FY99) 10 District Integrity Meetings (WBI). (FY99-00) Participant in WBI Core Course on	(Approved FY95) Institutional Capacity Building project, includes (i) central government capacity building, (ii) local government capacity-building, (iii) legal sector reform, (iv) accountancy profession, and (v) training funds. (Approved FY97) Structural Adjustment Credit III. (FY99) Education Adjustment Credit allocates funds directly to

	<i>Grant-Based Technical Assistance</i>	<i>ESW and Mission Reports</i>	<i>In-country workshops, Surveys</i>	<i>Government-related lending activities (projects)</i>
			<p>Anti-corruption</p> <p>(FY00) Participant in Investigative Journalism Teleseminar series (WIB).</p>	<p>communities</p> <p>(FY00) Preparation of Public Expenditure Reform Credit (PERC) with components to strengthen Governance and accountability.</p>
Zambia		(FY99) C AS, Strong anti-corruption components.		<p>(FY99) Public Sector Reform and Export Promotion Credit.</p> <p>Building Project to make public service delivery more effective and efficient, facilitate economic growth, and thence reduce poverty.</p>
Zimbabwe			(FY98) Workshop on Training of Trainers for Development of Local Integrity (EDI).	

Appendix 13: Empty Country Matrix – Anti-Corruption Core Course⁸⁹²

[illegible]

⁸⁹² WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, p. 19.

Appendix 14: Phase 1, African Anti-Corruption Core Course⁸⁹³

Day	Session	Methodology
Day 1: Impact and how corruption affects your country	Session 1: Introduction, Welcome and Keynote Speech	
	Session 2: Overview of an action program and participant expectations	Providing an overview of the Bank's 'integrated approach', including: managing an action program, diagnostics, prioritisation, dissemination, political will, institution-specific diagnosis, reform measures, implementation plans and monitoring systems. Open the floor for participant discussion.
	Session 3: Designing anti-corruption programs – the participant's experience	Selected participants discuss their prior experience with anti-corruption work.
	Session 4: Why combat corruption?	Reviewing existing data and research on corruption and providing an overview of participating countries' institutional arrangements and perceptions of corruption.
	Session 5: Initiating a program to fight corruption	Case study to highlight causes, consequences and feasibility
Day 2: Tools and processes for diagnostics and design	Session 6: Overview of survey approach	Discusses how empirical surveys can be used
	Session 7: Expert assessment	Discusses how expert assessment can be integrated with empirical surveys
	Session 8: From diagnostics to design	Small discussion groups take simulated survey results to prepare a matrix which identifies priority areas for reform
Day 3: Coalition building	Session 9: Involvement processes – civil society, private sector, parliament and the media	Reviews participatory tools, such as national workshops and information campaigns

⁸⁹³ WBI (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*, pp. 25-28.

Day 4: Agency-specific surveys and monitoring strategies	Session 10: Anti-corruption institutions and agencies – role, impact and who should run them	Reviews bodies such as anti-corruption commissions, oversight committees, watchdog agencies, auditor generals and ombudsmen, when they work and when they don't
	Session 11: Political will	Reviews tools to mobilise and sustain political will
	Session 12: Revision of the action plan	Small discussion groups revise matrices to fit their countries
	Session 13: Agency-specific surveys and other tools	Includes public expenditure reviews and price comparisons
	Session 14: Monitoring techniques	Discusses importance of monitoring government bodies
Day 5: Field visit and closing of the first phase	Session 15: Final integration and summary	Participants complete the matrix
	Session 16: Enforcement agencies	Reviews methods used by the Federal Bureau of Investigation (FBI), the Serious Fraud Office (UK) and Contrôle de Corruption (France), and a tour of FBI headquarters

Appendix 15: Country Matrix - Anti-Corruption Core Course 1999⁸⁹⁴

Benin	Ethiopia	Ghana	Kenya
<ul style="list-style-type: none"> (1) strengthening the political will; (2) enforcement of laws; (3) judiciary and legal system review; (4) public sector institutions reform; (5) addressing education and communication (p. 87). 	<ul style="list-style-type: none"> (1) codes of conduct for elected officials, political appointees, the judiciary and civil servants; (2) to develop specific evidence and procedural laws for corruption; (3) strengthen the capacity of police, prosecutor and judiciary to investigate and prosecute corruption cases; (4) corruption surveys; (5) establish ethics central body to 'lead and co-ordinate the fight against corruption' (p. 143). 	<ul style="list-style-type: none"> indicates problems instead of priorities: (1) weak political will; (2) 'mixed signals' from the Executive; (3) weak institutions and rule of law; (4) entrenched patronage; (5) weak private sector; (6) weak civil society; (7) pervasive cynicism (p. 172). 	<ul style="list-style-type: none"> (1) rule of law; (2) financial management; (3) public procurement; (4) public sector reform; (5) customs (pp. 194-196).
Malawi	Tanzania	Uganda	
<ul style="list-style-type: none"> (1) rule of law; (2) financial management; (3) public procurement; (4) public sector reform; (5) customs (pp. 210-213). 	<ul style="list-style-type: none"> (1) restore confidence in the judiciary and law enforcement; (2) reduce 'leakage' and increase revenue collection; (3) adherence to transparent tendering procedures; (4) create public awareness; (5) increase civil servant remuneration while holding them accountable for their actions; (6) support the media (pp. 237-238). 	<ul style="list-style-type: none"> (1) rule of law; (2) financial management; (3) public procurement; (4) public sector reform; (5) customs (pp. 249-252). 	

⁸⁹⁴ World Bank (1999). *Towards Collective Action to Improve Governance and Control Corruption in Seven African Countries*.

Appendix 16: World Bank Strategy, Research and ‘Good Practice’ Documents⁸⁹⁵

(FY99-00) Public Sector Strategy Paper: ‘The World Bank: Addressing the Challenge of Reforming Public Institutions and Strengthening Governance’

PREM Notes:

- (FY98) PREM Note 4: ‘Corruption and development’
- (FY99) PREM Note 7: ‘New frontiers in diagnosing and combating corruption’
- (FY99) PREM Note 19: ‘Using an ombudsman to oversee public officials’
- (FY99) PREM Note 23: ‘Using surveys for public sector reform’
- (FY99) PREM Note 24: ‘Fostering institutions to contain corruption’
- (FY99) PREM Note 25: ‘Assessing borrower ownership using reform readiness analysis’
- (FY00) PREM Note 26: ‘The law and economics of judicial reform’
- (FY00) PREM Note 29: ‘Assessing political commitment to fighting corruption’
- (FY00) PREM Note 30: ‘Mobilizing civil society to fight corruption in Bangladesh’
- (FY00) PREM Note 31: ‘Rethinking civil service reform’
- (FY00) PREM Note 33: ‘An anticorruption strategy for revenue administration’
- (FY00) PREM Note 34: ‘Reducing court delays: Five lessons from the United States’

(FY99-00) DRG and other research papers:

- ‘Aggregating Governance Indicators’
- ‘Governance Matters’
- Review paper on the consequences of corruption
- ‘Assessing Political Will and Opportunity for Anti-Corruption’
- ‘Corruption and Political Finance in Africa’
- ‘Corruption, Public Finances and the Unofficial Economy’
- ‘Making Voice Work: The Report Card on Bangalore’s Public Service’
- ‘Moral Hazard and Optimal Corruption’
- ‘Regulatory Discretion, Corruption and the Unofficial Economy’
- ‘Decentralisation Data Project’ (Danish Governance TF)
- ‘Does “Grease” Payment Speed Up the Wheels of Commerce?’
- ‘Corruption, Composition of Capital Flows and Currency Crisis’
- ‘Rotten Bureaucracy and Endogenous Capital Controls’
- ‘Who Must Pay Bribes and How Much?’
- ‘The effects of corruption and taxation on growth: Firm level evidence’
- ‘The cost of doing business: Ugandan firms’ experience with corruption’

Training Workshops:

- (FY98) 48 Integrity Awareness Seminars at headquarters and resident missions
- (FY99) Anticorruption Diagnostic Tools (PRMPS, WBI)
- (FY99) Mainstreaming Anticorruption in the CAS (PRMPS, WBI)
- (FY99) Reducing Corruption: A Search for Lessons of Experience (PRMPS, WBI)
- (FY99) Regional Orientation Workshops in AFR, EAP, ECA, LA C, MNA (Regions, WBI).
- Preparation for SAR (FY00)
- (FY99) New Employee Orientation: Ethics component (OPE)

(FY99-00) Procurement Innovations Workshop (Danish Governance TF)

⁸⁹⁵ Adapted from World Bank (2000). *Helping Countries Combat Corruption*, pp. 100-101.

Appendix 17: Sample Letter sent to Donors

20 June 2001

Ms. Eveline Herfkens
Minister for Development Co-operation
Ministry of Foreign Affairs
PO Box 20061
2500 EB The Hague
The Netherlands

Dear Ms. Herfkens:

I am a PhD student in the Department of Politics at the University of Durham (UK), researching the World Bank's anti-corruption programme. I would like to take the opportunity to ask you a few questions about the work being done by the Ministry on corruption. If it is not possible for you to answer my questions, perhaps you could redirect this letter to the most appropriate person.

My questions are as follows:

1. Where is anti-corruption work located at the Ministry for Development Co-operation?
2. Is there an organisational chart available? If not, can I have a list of staff and responsibilities?
3. What work is currently being done?
4. Where does the Ministry envision its work on corruption in the future?
5. What does the Ministry see as its 'comparative advantage' for corruption, in comparison to other donors, such as the World Bank, USAID and UNDP?

The last question is of particular importance. The bulk of my thesis is on the World Bank; however, a chapter looks at other major donors to see if there is an overlap in programming in areas where other agencies may have a comparative advantage (e.g., civil society work and USAID). In cases of clear (or even perceived) comparative advantage, I may make recommendations in my thesis for the Bank to spin off some of its rather bulky programme to other donors with greater capacity in a particular field.

If you would like more background information on my research before answering these questions, please feel free to contact me here by email or by phone at +44-191-374-7366.

Thank you very much for your time. It is greatly appreciated.

Best regards,

Heather Marquette

Appendix 18: Sample Semi-Structured Interview Questions

Organisation:

- Organisation chart (within UNDP & PACT)
- Budget
- Same funding sources as in evaluation?
- List of projects

PACT:

- History: how did governance become an issue?
- 3 focus points
 - aid accountability
 - public expenditure accountability ('centre of excellence')
 - anti-corruption
- Donor co-ordination
- CONTACT: what is it? How is it used?

Anti-Corruption:

- Database and inventory of UN projects on corruption
- 3 focus points
 - partnerships & advocacy
 - co-ordination & policy dialogue
 - strengthen capacity
- How will PACT achieve objective – 'cause, consequences and reform strategies for combating corruption are also to be examined'
- How to assess political commitment
- Evaluation recommendation to 'spin-off' anti-corruption work – PACT response?
- What is PACT's comparative advantage?

Future?

Appendix 19: USAID Memorandum on the Status of Anti-Corruption Efforts

fao: HEATHER MARQUETTE rm 811

MEMORANDUM

TO: AIG/A, Everett B. Orr

FROM: AA/PPC, Thomas H. Fox

SUBJECT: Status of USAID's Anti-corruption Efforts in Assisted Countries (Audit Report No. 9-000-98-002-P)

We are pleased to provide you with an update of our actions to implement the Recommendations in the IG's audit of USAID's anti-corruption efforts.

The IG's report recommended that the Bureau for Policy and Program Coordination (PPC) and the Bureau for Management (M), establish a timetable for developing an agency-wide policy to unify and guide the agency's anti-corruption effort. I would like to outline the actions, based on the IG's Recommendations, that we have taken to date, and the timetable for the remaining actions.

1. Define what types of activities are considered anti-corruption activities and what are the priority program areas.

USAID has developed a technical publication called "A Handbook on Fighting Corruption" to assist Bureaus, Missions, and their partners in designing anti-corruption initiatives. The handbook describes the development problems posed by corruption and indicates alternative strategies for addressing the root causes. This publication was prepared in February 1999. A short policy statement will be prepared by December 1, 1999.

2. Establish anti-corruption performance measures to assess the efficiency and effectiveness of these activities.

PPC's Center for Development, Information, and Evaluation will be developing performance measures for the anti-corruption activities. We expect the initial design of the performance measures to be completed by January 1, 2000.

3. Outline and discuss the importance of strategy development and programming guidance at the bureau level and consider requiring a discussion of corruption in program design documents.

The handbook on fighting corruption provides a framework for selecting among the different measures to address anti-corruption problems in a specific country. This framework includes the methodology for assessing the nature of the corruption problem and the opportunities and constraints for addressing it. The framework links the assessment to the strategy, offering guidelines for prioritizing and sequencing anti-corruption activities in various situations.

4. Implement a system for identifying the obligations and expenditures of the agency's anti-corruption activities.

PPC and M are in the process of designing a set of codes that can identify obligations and expenditures for anti-corruption activities. We expect to complete this element of the Recommendation by November 1, 1999.

If your staff would like to discuss our responses in more detail, please feel free to contact Mr. Robert A. Siegel of my staff (202 712-1226).

CLEARANCE:

AA/M: Torown _____

PPC/CDIE: Smerill _____

PPC/PDC: McCrosswell _____

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